

GERMANY'S DAY OF DECISION

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GERMANS ARE CHOOSING A CHANCELLOR

No Risk and No Change: Voters Are Reassured

By John Vinocur
International Herald Tribune

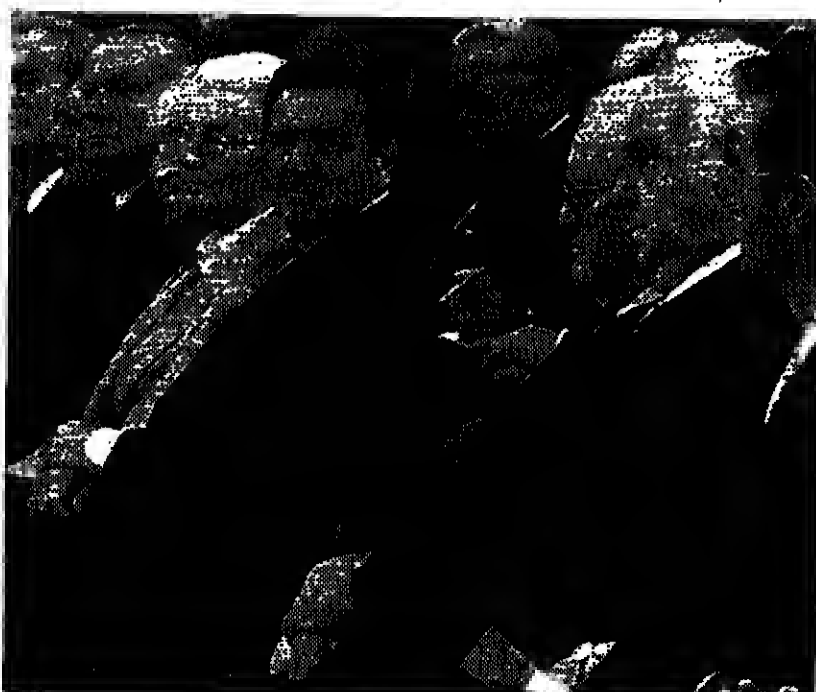
BONN — Middle-of-the-road German politics, at its most excessively cautious, has three central commandments: Change nothing. Take no risks. Make no demands.

The rules about strategy and policy say you can present new faces, talk about programs and conjure up perspectives in an election campaign, but on the condition that there is not a word about increased risk, givebacks, individual obligations, a country that must experience some pain in redefining itself or a future that might be less relentlessly safe and secure.

Rhetorical excess apart, this is pretty much how it has been during the campaign for the main parties and their candidates for chancellor as Germans prepare to vote on Sunday. If basic government control remains in the hands of the Christian Democrats, the Social Democrats or both, they will come to office having proposed very little that is really new in a Germany that has been doing the same old thing, with declining success, for a very long time.

In the quiet of their studies, German politicians like to say that the circumstances here are not so terribly different than in most other risk-averse places in Continental Europe. Sometimes, they even explain why this is so. The secret is, you can't get elected in Germany by offering basic change or proposing vast new effort. The polls insist this is true.

When the polling organization Infratest dimap asked the electorate this summer if it wanted Helmut Kohl or Gerhard Schröder to embark on basic policy



Gerhard Schröder, center, gazing at Helmut Kohl, second from right, in Parliament. Germans will choose their next chancellor on Sunday.

changes, the answer from more than 60 percent came back "no." A majority preferred "a few course corrections but no principal changes."

About the same time, Spiegel magazine sent the

The Social Democrats were leading by more than four points in a poll released Friday, 40.5 percent to the Christian Democrats' 36 percent.

Ennid opinion research group out to find out where German tolerance lay for reforms in the workplace and the pension and health system — the areas where critics of what was once the admired German model say the country has priced itself into 24th place in the world competitiveness rankings. It is a wage, labor cost and tax situation of such rigidity that the OECD says the 10.6 percent national unemployment rate can only be barely diminished over the next five years.

The poll's results showed that only three Germans in 10 would agree to

Special German election report continues on Pages 4 and 5.

work longer or give up a wage increase. Fewer than two in 10 would agree to greater individual participation in health care and just one in 10 to any cut in pensions.

In the poll results, there seemed to be evidence that no mainstream politician had succeeded in connecting the electorate's mind — or more exactly, in attempting to connect it — to the idea that individuals' giving something back in the short term could strengthen the economy in the longer perspective. Rather, reforming the German system was defined by 65 percent of the electorate as the surrender of its entitlements. In a culture profoundly uncomfortable with risk culture, this was something less than a mandate for change.

"The politician's dilemma in Germany is bow to

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Markets Rattled After Fund Rescue

Banks Warn Of Exposure

By Jonathan Gage
International Herald Tribune

PARIS — The near collapse of one of Wall Street's most highly reputed hedge funds sent shudders through global financial markets for a second day Friday as more banks warned of losses, share prices tumbled in Asia and Europe, and regulators questioned why some investors roared so free of oversight.

On Wall Street and in other financial centers, shock competed with a growing fear that the near-death experience of Long-Term Capital Management LP, one of the most aggressive but respected of the so-called hedge funds, would trigger a spiral of damage through the international financial markets.

"Wall Street is in shock," said David Hale, chief economist at Kemper Zurich Investments. "There is no doubt the damage has been tremendous."

Mr. Hale added: "What we have to worry about now is other hedge funds that have kept their losses hidden."

LTCM, as it is known, was saved

Fall of Wall Street legend, Page 13.

only after the U.S. Federal Reserve Bank of New York summoned officials of 14 leading financial institutions and pushed them to coughle together a \$3.7 billion rescue package Wednesday that kept the fund afloat but which does not guarantee its survival.

On Friday, Credit Suisse, Europe's sixth-biggest bank, said it would be forced to write off \$55 million in losses connected with LTCM. And in Frankfurt, Dresdner Bank forecast a revenue loss of 240 million Deutsche marks (\$142.6 million) from an investment in the hedge fund.

Their announcements came a day after UBS, the world's second-largest bank, disclosed that it would record a loss of up to 1 billion Swiss francs (\$718.9 million) because of investments in emerging markets and fallout from the failure of LTCM. On Friday, shares of UBS plunged to a 11-month low, as bank shares across Europe plummeted.

"There is worse to come," Matthew Czeplawicz, a bank analyst at Salomon Smith Barney Inc. in London, told Bloomberg News. "We are going to see a fairly steady stream of announcements of warnings, problems and retrenchments in coming quarters."

Another thing that seemed likely to come, according to analysts and regulatory officials, were tougher rules on hedge funds and other investment vehicles that have proliferated in international financial markets. Hedge funds use borrowed money — often bank money — to place bets on movements in bond and stock markets and currencies. Profits can be huge, as LTCM's usually were, but losses can spin out of control.

In Zurich, the Swiss Federal Banking Commission demanded that UBS provide details of its involvement in LTCM. "What leads serious banks to involve themselves to such a degree in such a vehicle?" asked the commission's director, Daniel Zuberbuehler.

Britain's market regulator, the Financial Services Authority, ordered 55 banks and other financial institutions to disclose their exposure to hedge funds in general and LTCM in particular. "Fed supervision is likely to become much tougher on hedge funds," said Mr. Hale. "And banks themselves are

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The Dollar		
New York	Friday @ 4 PM	previous close
DM	1.679	1.674
Yen	136.17	134.93
FF	5.63	5.614
Pound	1.6977	1.6975
The Dow		
Friday close	percent change	
+26.78	8,028.77	+0.33%
S&P 500		
+2.03	1,044.75	+0.19%
Nasdaq		
+23.25	1,743.59	+1.35%

New Flu Pill Wrests Days And Aches From Illness

The Associated Press

SAN DIEGO — An experimental pill appears to reduce a typical four-day bout of the flu by about a day and a half while making patients feel better, too, researchers said Friday.

It is one of two closely related drugs being developed — one a pill, the other a nasal spray — that could offer new weapons against the disease.

"This will get people back on their feet more quickly," said Dr. Frederick G. Hayden of the University of Virginia, one of the researchers.

The drugs appear to work against both major flu viruses. Two other medicines already available are ineffective against one type.

If the new medicines win approval from the U.S. Food and Drug Administration, they could be available next year.

The drugs under development also could serve as backup to the flu vaccine. The researchers found a once-a-day dose could keep people from catching the illness at all.

But doctors emphasized that the new drugs would be not be a substitute for a flu shot, which would remain the most important defense against the disease. Instead, they might be useful for warding off the flu in those who fail to get the shot and for those who fail to respond to the shot. They also could help in years when shots are not highly effective against a particular strain.

Results of the first large-scale testing on humans suggest that the pill, GS4104, reduces the severity of influenza by 40 percent and its duration by 33 percent if taken shortly after symptoms start.

In studies financed by developers of the drug, Glaxo Sciences Inc. and Hoffman-La Roche Inc., doctors tested GS4104 on 629 patients in the United States. All were seen within a day and a half of

See FLU, Page 7

AGENDA

U.S. Flies Ethnic Rival Out of Liberian Capital

Reuters

MONROVIA, Liberia — The United States flew Roosevelt Johnson, the ethnic Krahn rival of President Charles Taylor, out of Liberia on Friday less than a week after he took refuge there, witnesses and a U.S. security official said.

A group of people boarded two helicopters that flew out of the embassy compound, witnesses said. A U.S. security official said Mr. Johnson had been among those flown out.

Earlier, an embassy security official said that helicopters were expected to fly Mr. Johnson, two aides and two young sons to Freetown, the capital of Sierra Leone.

A spokesman for Mr. Taylor said Thursday the government would not block an attempt by Washington to fly out Mr. Johnson, a former warlord whom Mr. Taylor accuses of treason.

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The IHT online www.ihnt.com

Riding the Tail of the Hurricane



An Italian tourist cycling Friday along the Havana seafont as hurricane Georges rolled away toward the Florida Keys, where it pounded the island chain with 105-mile-an-hour winds. Page 3.

Clinton Gets Support — but Allies Worry

By R.W. Apple Jr.
New York Times Service

WASHINGTON — Ask in Foggy Bottom, ask in Whitehall, ask on the Quai d'Orsay, ask at the Kremlin, and you get the same deeply discreet answer: No, of course, Bill Clinton's personal and political troubles have not impaired the capacity of the United States to conduct foreign policy.

But scratch a little deeper, push a little harder, and you discover that diplomats and politicians in most of the world's major nations are worried sick by the spectacle of a distracted president in Washington at a moment when, in their view at least, bold American leadership is all but indispensable.

"The world requires an end to this mawkish nonsense," said Christopher Patten, the last British governor of Hong Kong, a top-level Tory politician and a newly minted author who is traveling in the United States to promote his book, "East and West."

"Most of the time Europeans like to poke sticks through the bars at the United States," he added. "It makes us feel important. We only realize how much we need you when things go wrong, like now."

NEWS ANALYSIS
Herbert Vedrine, the French foreign minister, spoke of "a world that isn't getting any stronger, with 25 regional conflicts involving 40 countries, states in the process of disintegration, a spreading financial crisis."

He added: "What we need is strong

leadership in all our countries, starting with the United States. For us, what is worrying is the guerrilla war between the Congress and the president, which has been going on for a long time."

The ambassador in Washington of one of the closest allies of the United States, speaking on condition of anonymity, used blunter language. He said, "You'd have to be deaf, dumb, blind and a mental defective not to see that Clinton has been weakened in his

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U.S. Mood Shift Favors President

Poll Suggests Voters See Political Unfairness in Congress

By Richard L. Berke
and Janet Elder
New York Times Service

NEW YORK — President Bill Clinton's standing with Americans has rebounded nationwide in the days since the release and broadcast of his videotaped grand jury testimony, according to a New York Times/CBS News Poll.

The poll also shows signs of a backlash against the Republican-controlled Congress and the House of Representatives' Judiciary Committee in particular as the committee presses forward with an impeachment inquiry.

By a clear majority, Americans said they disapproved of the manner in which the Judiciary Committee had handled the matter.

Committee members said they had released the tape of the president's testi-

mony, given Aug. 17, for the public's benefit, but 78 percent of respondents, and 65 percent of the Republicans, said it should have never been released.

The poll has a margin of sampling error of plus or minus three percentage points.

People said they objected to the committee's prying into what they regard as a private matter and said it was unnecessary to make public the salacious details about sex in the videotape shown on television around the world.

In addition, 65 percent of the respondents said Republicans in Congress were unfairly trying to weaken the president and Democrats in general.

Thirty-nine percent of the Republicans saw it that way as well.

But even in the face of a turnaround for Mr. Clinton, the first glimpse of how the sex scandal involving him might play



President Clinton after he signed a stop-gap budget bill Friday. Page 7.

out six weeks from now in the elections helps explain why Republicans are sticking with an aggressive strategy.

The Republican strategy is popular with the party's core voters, and those are the people most likely to vote in the congressional elections Nov. 3. Appeals

See POLLS, Page 7

Worries Rise That Taliban May Try to Export Unrest

By Joseph Fitchett
International Herald Tribune

PARIS — Behind the exchange of threats between Iran and the Afghan Taliban is a new geopolitical pivot: the ultimate control of Afghanistan.

After two decades as a bloody quagmire, the fractious land seems on the point of being united under the control of the fundamentalist Taliban, U.S. and European specialists said.

"Time is running out," said Olivier Roy, France's leading specialist on central Asia, before this fundamentalist group achieves a state free of any political compromises or power-sharing with their less militant rivals, now defeated.

The fear is that a Taliban-run Afghanistan will become the launching pad for a new wave of destabilizing Islamic radicalism potentially more dangerous than the Iranian revolution. The Taliban are Sunni Muslims,

sharing the basic faith of the vast majority of people in Islamic countries, so their fundamentalist message could be contagious in the consciousness of nations such as Saudi Arabia and Pakistan, undermining the position of both these pro-U.S. governments.

Because the Iranian mullahs belong to the Shiite minority among Muslims,

Taliban faces new obstacles at home and abroad. Page 6.

their calls for revolution in the name of Islam were always suspect in the eyes of many Muslims.

"Now you've got the Taliban, a fresh generation of radicals and Sunnis to boot," a former CIA case officer said, "who are challenging the Iranian revolution today and tomorrow will use

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Newsstand Prices	
Bahrain.....1,000 BD	Malta.....55 c
Cyprus.....C £ 1.00	Nigeria.....12500 Naira
Denmark.....14.00 DKr	Oman.....1,250 QR
Finland.....12.00 FM	Qatar.....10.00 QR
Gibraltar.....£ 0.85	Rep. Ireland.....IR £ 1.00
Great Britain.....£ 0.90	Saudi Arabia.....10 SR
Egypt.....£ 5.50	S. Africa.....R12 + VAT
Jordan.....1,250 JD	U.A.E.....10.00 Dh
Kenya.....K Sh. 160	U.S. M. (Eur).....\$ 1.20
Kuwait.....700 Fils	Zimbabwe.....Zim\$40.00

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CIA Reportedly Helped Uganda Foil Plot to Bomb Embassy

By Michael Grunwald
Washington Post Service

WASHINGTON — American intelligence officers helped foil a plot last week by Islamic extremists to bomb the U.S. Embassy in Uganda, the most serious in an array of recent threats against American installations around the world, according to U.S. government sources.

Ugandan authorities alerted by the central intelligence agency have detained 20 suspects in the case, including the two alleged ringleaders, who were arrested last week when they tried to enter the country from Kenya.

Those two men are believed to be associates of Osama bin Laden, an Islamic extremist who is suspected of orchestrating the bombings last month

of the U.S. embassies in Kenya and Tanzania.

American officials have investigated a flood of threats worldwide since the East Africa embassy bombings killed 265 people on Aug. 7, especially after retaliatory U.S. cruise missile attacks two weeks later against targets in Sudan and Afghanistan. On Thursday, German police deployed more than 100 officers to seal off the area around the U.S. Consulate in Hamburg after receiving information from a "serious source" that a terrorist attack was imminent.

Sources in several U.S. agencies said the Uganda plot was the most dangerous uncovered to date, but they offered little evidence other than the arrests to indicate the seriousness of the threat or the extent of Mr. bin Laden's alleged involvement. The Kampala embassy has

been closed out of concern for terrorism three times since the Aug. 7 blasts, most recently last Monday. It was reopened Thursday for limited business, officials said.

Local press reports have claimed that Ugandan security forces thwarted an earlier plan to bomb the Kampala embassy in coordination with the other East Africa bombings. And after President Yoweri Museveni called Secretary of State Madeleine Albright to express support for the cruise missile attacks last month, at least 29 Ugandans were killed in bombings on three buses outside Kampala.

More than a dozen FBI agents worked with the Ugandan Anti-Terrorism Squad to unravel the recent plot, assisting in the arrest of 18 other suspects in addition to the two alleged ringlead-

ers. The other suspects include the imam of a Kampala mosque, the treasurer of a local soccer team, a few local businessmen, a 15-year-old boy and an aid worker who has assisted southern Sudanese refugees. Those suspects have no apparent links to Mr. bin Laden but are sympathetic to his anti-American beliefs, the sources said. The FBI and the Ugandan police have seized a host of documents in raids on their homes and businesses, law enforcement sources said.

Sources familiar with the alleged plot said the CIA warned local border authorities to be on the lookout for two ringleaders, who they said planned to direct the operation using local militants. U.S. prosecutors are considering charges against them, law enforcement sources said.

"Bin Laden clearly wanted to demonstrate to the world that he was still in business," a source said. "There was very credible information about this operation."

On Wednesday, Amnesty International USA issued an alert calling on Ugandan officials to charge the suspects with specific crimes or let them go. Ugandan law requires that suspects be charged within 48 hours of their arrest, but Amnesty officials said that in the last year, a number of Muslims have been detained there without trials or charges, and that some have reported being whipped with electrical cable and beaten with iron bars.

Amnesty pointed out that all the suspects are believed to be Muslim and that some of them are well known in Kampala.

Crisis Erupts in Belgium Over Death of Deportee

By Barry James
International Herald Tribune

BRUSSELS — The interior minister of Belgium has offered to resign over the death of young woman who was being forcibly deported to Africa, plunging the government Friday into a crisis following the second such resignation over police conduct in five months.

Prime Minister Luc Dehaene was reportedly asking the minister of interior, Louis Tobback, to reconsider his resignation letter, which was on the desk of King Albert II.

The death of Semira Adamu, a 20-year-old Nigerian woman who said she fled a forced marriage to a man of 65, touched the nation — despite misgivings in Belgium about giving asylum to large numbers of immigrants from the developing world.

She died Tuesday after two policemen smothered her with a pillow to keep her quiet while awaiting takeoff on a Belgian Sabena airlines flight to Rome. A video taken by a third policeman showed one officer pressing the woman's head into a pillow across his knees, while his colleague pushed her from behind.

Miss Adamu's ordeal lasted 20 minutes while the two policemen chanted and laughed. They have been charged with involuntary manslaughter.

The video indicated no resistance by Miss Adamu, whose hands were tightly manacled behind her back and who was chained at the ankles.

Sabena offered no explanation why the airline crew had allowed the woman to remain shackled, in contravention of international airline regulations that require passengers be able to reach emergency exits unaided.

Mr. Tobback said the fact that one of the two officers had been disciplined earlier this year for kicking a handcuffed prisoner made his resignation necessary, since he was directly responsible for the national gendarmery.

Mr. Tobback, 60, who served as interior minister from 1988 to 1994, was brought into the cabinet to carry out a wide-ranging reform of the police after the resignation of his predecessor, Johan Vande Lanotte.

The latter was forced to step down after an accused pedophile child-murderer, Marc Dutroux, slipped away from a lax police guard in a court building and eluded searches for several hours.

The resignation threatened to destabilize the governing majority of Socialists and Christian Democrats, since there was no obvious candidate among the Flemish Socialists to take Mr. Tobback's place.

The minister is considered one of the closest allies of the prime minister's and observers said the affair could damage the government's credibility in elections next year.

At the Brussels airport, immigration officials staged a work-to-rule action, carefully inspecting every passport and causing delays. They said they were protesting the fact that the gendarmery was being blamed for carrying out orders handed down by politicians.

Miss Adamu is to be buried in Belgium on Saturday.



Interior Minister Louis Tobback took responsibility in the refugee's death.

Rushdie Plans to Write of Life in Hiding

Reuters

LONDON — A jubilant Salman Rushdie on Friday said his next book was likely to relate his experiences during the decade he spent hiding from an Iranian death threat.

"I've always wanted to write about this matter and I always felt the time to write about it was when I knew what the last chapter was," he said at a news conference the day after Britain and Iran struck a deal to help ensure his security.

"I think that time might be very

close and it's a very hot story and most of you don't know it, so I look forward to telling it," he said.

The book would chart Mr. Rushdie's descent into his own personal hell in February 1989, when Iran's then supreme leader, the late Ayatollah Ruhollah Khomeini, issued a fatwa, or religious edict, condemning the author to death for blasphemy against Islam in his book "The Satanic Verses." Mr. Rushdie, 51, and his backers campaigned tirelessly against the fatwa for almost a decade.

Morocco Crash Leaves 38 Dead

The Associated Press

MADRID — A Spanish airliner crashed into a hill in northern Morocco on Friday, killing all 38 people aboard. Rescue workers have recovered 19 bodies so far, said an official of the regional government in Melilla, a Spanish enclave on the Mediterranean coast of Morocco.

The plane was carrying 34 passengers and four crew members to Melilla from the southern port city of Malaga. It went down in Moroccan territory about 18 kilometers (11 miles) north of Melilla as it approached for landing.

The cause of the accident was not known, although visibility at the airport was said to be poor.

"It appears the plane crashed into a hilltop," said the regional government chief of Melilla, Enrique Palacios, who is also mayor of the city.

A government official said the plane had broken into three pieces. The majority of the passengers were Spaniards, although it is believed there were several Moroccans aboard, the Spanish press agency EFE said.

Moroccan authorities are allowing Spanish ambulances to the crash site to help with rescue efforts, officials said.

The 86-seat, British-built BAe 146 plane belonged to a Spanish charter airline called Paukair, which specializes in flights between Melilla and cities in Spain proper.

The flight between Melilla and Malaga takes about 30 minutes. The airline runs 55 of them per week. It was the first serious air crash involving a Spanish airline in more than 13 years.

Slovakia Begins A Crucial Election

BRATISLAVA — The 3.5 million eligible voters in Slovakia began casting ballots Friday in a two-day election in which Prime Minister Vladimir Meciar, accused of a "democratic deficit," is hoping to hold power.

Opposition parties are vying to defy predictions that Mr. Meciar's Movement for a Democratic Slovakia will emerge the biggest party. Slovakia has been turned down for early entry by both the European Union and NATO. (AP)

Britons for Return Of Elgin Marbles

LONDON — A plurality of Britons would support the return of the Elgin Marbles to Greece, according to an opinion poll released Friday. The Elgin Marbles are sculptures taken mainly from the Parthenon by English archaeologists in 1812. Greece has been demanding their return for years. (AP)

More Aid to Cut Up Russian Weapons

WASHINGTON — The U.S. House of Representatives approved Friday a sharp increase in funds to cut up or otherwise destroy Russian missiles, bombers and submarines. It gave the Pentagon wide-ranging authority to purchase weapons in former Soviet nations to keep them from being sold or transferred to other countries. (WP)

German Is Jailed In Iraq Arms Deal

BERLIN — A German engineer suspected of selling nuclear technology to Iraq was ordered jailed Friday, a day after he returned home from Brazil and gave himself up so that he could visit his terminally ill mother. Karl-Heinz Schaab, a fugitive since January 1996, was arrested at the Frankfurt airport Thursday after arriving on a Lufthansa flight. The federal prosecutor, Kay Nehm, said Mr. Schaab, who has been under investigation for treason since 1995, is suspected of helping Iraq produce weapons grade uranium in 1989-90. (AP)

Dissidents Open Fire in Lesotho

Agence France Presse

MASERU, Lesotho — Dissident Lesotho soldiers opened fire on southern African intervention troops Friday, an army officer said, sparking fears of guerrilla warfare in and around this battle-scarred capital.

The dissidents disavowed their action when Southern African Development Community soldiers returned Friday, the South African officer told reporters in Maseru.

The sound of gunfire, which had died down since Wednesday when the southern African troops secured key positions, could be heard once again Friday afternoon in the hills surrounding Maseru.

Commanders of the intervention force believe the bulk of the Lesotho army fled to the hills when they were routed from their bases on Wednesday.

The chief of the South African National Defense Force, General Siphile Nyanda, was briefed about the skirmish while touring Makanyane military base, scene of bloody fighting between Lesotho dissident soldiers and the intervention forces on Tuesday and Wednesday.

The southern African forces entered the country on Tuesday in response to a call by Prime Minister Palahitha Mosile to "rescue" Lesotho from an alleged coup.

A South African officer, Lieutenant Colonel Juric Jordaan, told General Nyanda that the rebels had opened fire and that the southern African troops had returned fire.

He said intelligence sources asserted that a huge amount of weaponry had been stolen and was being used by dissidents after they staged a mutiny on Sept. 11 in which they ousted their seniors and appointed their own command.

Clinton Sets Meetings With Netanyahu and Arafat

By Tim Weiner
New York Times Service

WASHINGTON — President Bill Clinton will meet separately with the Israeli prime minister, Benjamin Netanyahu, and the Palestinian leader, Yasser Arafat, at the White House next week in the hope of reviving peace talks in the Middle East, White House and State Department officials said.

They would be the first such meetings in nearly nine months. There has been little visible progress in the peace process in two years.

But there have been signs in recent weeks that Mr. Netanyahu and Mr. Arafat might be easing their stances on aspects of a U.S.-sponsored plan for pushing the process ahead.

Secretary of State Madeleine Albright will meet separately with the two leaders in New York on Saturday night and Sunday to try to persuade them to agree on the terms of an Israeli withdrawal from the West Bank.

Mrs. Albright said in New York on Thursday that "we keep making progress" in judging the Israelis and the Palestinians toward an accord on the West Bank. American, Israeli and Palestinian officials believe that the personal intervention of Mr. Clinton might help move the process forward.

But diplomats said there was so much work to be done that there was little hope of closing a deal next week.

Mr. Clinton spoke separately by telephone Thursday with the two men to confirm the meetings, the officials said. "The president urged them to be flexible and urged them to make the tough

decisions that will lead to final talks" in the peace process, a senior administration official said.

Mr. Netanyahu is tentatively scheduled to see the president on Monday; Mr. Arafat is to meet with Mr. Clinton later in the week.

The United States is seeking a gradual Israeli pullback from the West Bank, allowing an increasing Palestinian control of the area. A proposed compromise calls for the two sides to agree on an Israeli withdrawal from an additional 13 percent of the West Bank.

Israel is thought to be on the verge of agreeing with the Palestinian Authority to withdraw its troops from this land, on the condition that 3 percent of the West Bank will become a nature preserve or a national park.

On this issue, among others standing

in the way of final talks on the status of Jerusalem and the size and shape of the land under the Palestinian Authority's control, Mrs. Albright hopes "to lock in as much progress as we can" in weekend discussions with the two leaders, a senior Clinton administration official said.

Another issue that needs to be resolved is an Israeli demand for concrete counterterrorism commitments from the Palestinian Authority. The senior official in Israel of the U.S. Central Intelligence Agency has been serving as a mediator on this issue, working with the Palestinian and Israeli security services on counterterrorism concerns.

No accord has been reported, however. And there are equally tough interim issues that must be resolved, including how freely Palestinians may travel between the West Bank and Gaza Strip.

WEATHER

Forecast for Sunday through Tuesday, as provided by AccuWeather.

Europe				Asia			
City	Sat	Sun	Mon	City	Sat	Sun	Mon
Algeria	21/10	14/10	20/10	Almaty	14/10	8/10	11/10
Amsterdam	20/10	14/10	20/10	Ankara	21/10	14/10	20/10
Antwerp	20/10	14/10	20/10	Bangkok	29/10	22/10	29/10
Athens	20/10	14/10	20/10	Beijing	29/10	22/10	29/10
Berlin	20/10	14/10	20/10	Bombay	29/10	22/10	29/10
Birmingham	20/10	14/10	20/10	Calcutta	29/10	22/10	29/10
Bombay	29/10	22/10	29/10	Chengdu	29/10	22/10	29/10
Buenos Aires	29/10	22/10	29/10	Chongqing	29/10	22/10	29/10
Cardiff	20/10	14/10	20/10	Dhaka	29/10	22/10	29/10
Chengdu	29/10	22/10	29/10	Hanoi	29/10	22/10	29/10
Chicago	29/10	22/10	29/10	Hong Kong	29/10	22/10	29/10
Colombo	29/10	22/10	29/10	Kuala Lumpur	29/10	22/10	29/10
Copenhagen	20/10	14/10	20/10	Manila	29/10	22/10	29/10
Dallas	20/10	14/10	20/10	Medan	29/10	22/10	29/10
Damascus	20/10	14/10	20/10	Montevideo	29/10	22/10	29/10
Delhi	29/10	22/10	29/10	Osaka	29/10	22/10	29/10
Detroit	20/10	14/10	20/10	Perth	29/10	22/10	29/10
Dublin	20/10	14/10	20/10	Port of Spain	29/10	22/10	29/10
Edinburgh	20/10	14/10	20/10	Prague	29/10	22/10	29/10
Geneva	20/10	14/10	20/10	Rangoon	29/10	22/10	29/10
Hamburg	20/10	14/10	20/10	Seoul	29/10	22/10	29/10
Hankow	29/10	22/10	29/10	Singapore	29/10	22/10	29/10
Hong Kong	29/10	22/10	29/10	Taipei	29/10	22/10	29/10
Kobe	29/10	22/10	29/10	Tokyo	29/10	22/10	29/10
London	20/10	14/10	20/10	Urumqi	29/10	22/10	29/10
Los Angeles	20/10	14/10	20/10	Yokohama	29/10	22/10	29/10
Madrid	20/10	14/10	20/10				
Manchester	20/10	14/10	20/10				
Maracaibo	29/10	22/10	29/10				
Moscow	20/10	14/10	20/10				
Mumbai	29/10	22/10	29/10				
Myanmar	29/10	22/10	29/10				
Nairobi	29/10	22/10	29/10				
Paris	20/10	14/10	20/10				
Perth	29/10	22/10	29/10				
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Hurricane Roars Into the Florida Keys

KEY WEST, Florida — Leaving a death toll of more than 300 in the Caribbean, Hurricane Georges on Friday roared across the fragile Florida Keys.

The 105-mile-an-hour (170-kph) winds sent waves crashing onto streets, toppled trees and knocked out power.

Shelters and hotels from Miami to Orlando filled up after more than 1.2 million people from Key West to Tampa were urged, or even ordered, to leave coastal and low-lying areas and mobile homes.

The storm killed at least 200 people in the Dominican Republic, 87 in Haiti, and several others in Cuba, Puerto Rico, Guatemala, Antigua and St. Kitts and Nevis.

A hail of leaves, branches and palm fronds blew across the Overseas Highway in Marathon, in the middle Keys.

At several points, water washed across the two-lane highway connecting the slender strand of islands.

The hurricane invaded the Florida Keys with winds that made the surf look like boiling water.

Roaring seas crashed on top of a landmark red-and-yellow buoy stuck in concrete that marks the southernmost point in the continental United States.

Waves smashed into Keys marinas exposed to the Atlantic, rocking boats and sending choppy waves cascading over docks and beaches.

The center of the sprawling storm was passing near Key West around midday — further west than earlier expected.

Residents reported briefly seeing sunshine, indicating a section of the large eye was right over the city.

Several hours more of violent weather was expected on the back side of the storm.

The slight shift to the west meant a milder storm for the state's densely populated Atlantic coast, but "it's probably the worst possible thing" for Key West, said Jerry Jarrell, director of the National Hurricane Center in Miami.

The storm's hardest attack has been on the eastern edge.

Even without the hurricane-force winds that had been feared, some 150,000 people lost power as the edges of the storm lashed the Miami and Fort Lauderdale areas.

The smell of seawater spread 10 miles inland and bands of slanting rain repeatedly swept ashore.

Key West, a famed artists' colony that once was home to Ernest Hemingway and Tennessee Williams and the popular singer Jimmy Buffett, is an island at the end of a 100-mile chain of low-lying islands off the southern tip of Florida.

The island's Old Town is crowded with old wooden houses, many built by ship's carpenters when Key West was a bustling seaport and center of commerce between the United States and Cuba.

A storm surge of 7 feet was forecast for the Keys. Key West's top elevation is only 14 feet, and some other islands top out at 7 feet.

"It looks like Noah's Ark in here," Vince Taporowski said as he watched the roiling water from his home on Big Pine Key, north of Key West.

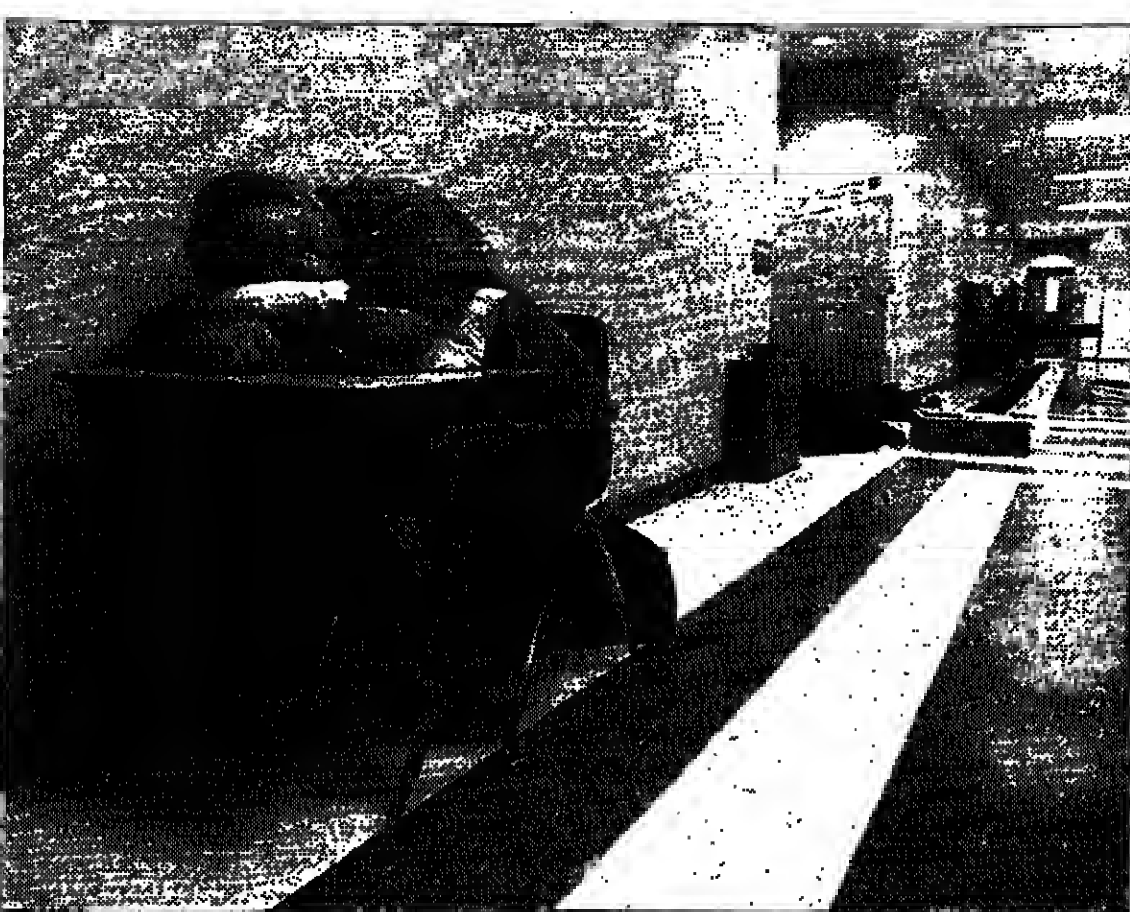
He said that water was blowing through cracks in the windows and that his home had lost power.

Mr. Taporowski and his family were among thousands of residents who stayed in the Keys despite the evacuation order.

"We order them to leave and if they decide to stay they're on their own," said Becky Herin, the Keys emergency management spokeswoman. "There's nothing we can do for them if they stay."

A hurricane warning was posted for the Keys and the Gulf Coast north to Longboat Key, about 40 miles south of Tampa.

(AP, AFP, Reuters)



An evacuee resting in a shelter in Marathon, Florida, on Friday as 105-mile-an-hour winds blew outside.

Poverty Falls as Average U.S. Income Rises

By Barbara Vobejda
Washington Post Service

WASHINGTON — Income for the typical American household rose at nearly twice the rate of inflation in 1997 while the percentage of people in poverty declined, the Census Bureau has reported, pointing to the widespread benefits of a growing economy across the population.

The income and poverty figures returned to levels the United States has not seen since before the last recession nearly a decade ago, with the median household income rising for the third consecutive year. The shrinking poverty rate was driven by declines among African Americans and Hispanics, with poverty at an all-time low among blacks.

Overall, the median household income adjusted for inflation rose 1.9 percent between 1996 and 1997, to \$37,005, while the poverty rate fell from 13.7 percent to 13.3 percent.

Poverty is defined as an income of \$16,400 or less for a family of four.

Among ethnic groups, Asians had the highest median household income: \$45,249, compared to \$38,972 for whites, \$26,628 for

Hispanics and \$25,050 for African Americans.

The findings in the government's annual income report were considered significant because economists had feared that the benefits from the nation's long-running economic expansion were flowing overwhelmingly to the rich.

The new figures show that income inequality did not increase and that virtually all sectors of the population — across races, among both single mothers and married couples, and in most geographic regions — are enjoying some positive returns from the continuing job growth and low inflation.

"It's a cliché, but a rising tide raises all ships," said Henry Aaron, an economist at the Brookings Institution. "This has been such a smotheringly good economy that if poverty didn't go down, it would be a very disturbing sign that inequality was headed steadily upwards."

While the gap between rich and poor did not widen between 1996 and last year, it nevertheless remains an issue of particular concern to many Americans. And the new figures underscore the problem: Households in the top fifth earned nearly half of the national income,

while the share going to the poorest fifth was less than 4 percent.

Unlike many other economic indicators, the figures released Thursday, collected from a sample of 50,000 households across the United States, provide a window on how groups within the population are faring. Children, for example, who make up 26 percent of the population, account for 40 percent of the American poor.

While the poverty rate among children did not change last year, the rate among African Americans fell by 2 percentage points, to 26.5 percent — a drop of 600,000 people. And the figure for Hispanics dropped 2.3 percentage points, to 27.1 percent.

Those rates remain high relative to the population generally, but economists see the declines as evidence that in the current tight labor market, employers are reaching out to workers who are often overlooked in a less vibrant economy.

It is not just the poorest minorities who are faring better. The median income in households headed by an African American rose 4.3 percent, and for Hispanics it rose 4.5 percent, while for whites it increased 2.5 percent.

POLITICAL NOTES

High-Tech High-Rollers Pull a Plug on Clinton

WASHINGTON — For years, Mitchell Kertzman, a high-tech CEO, was one of those big Democratic donors who could be counted on to buy tickets whenever President Bill Clinton came to Silicon Valley for a top-dollar fund-raising dinner. In the 1996 election cycle, he contributed more than \$150,000 to the re-election coffers of Mr. Clinton and other Democrats. But now, when asked to attend a fund-raiser like the one Mr. Clinton was to headline for the Democratic National Committee in Silicon Valley on Friday night, he finds he cannot sign the checks anymore.

Mr. Clinton "has become ineffective in his job," Mr. Kertzman said. "You need someone who is effective — not two years of Clinton abuse by the Republicans."

A small but growing number of opulent donors in Silicon Valley — one of the president's strongest bases of support — are also having second thoughts. Organizers for the Friday night fund-raiser said tickets, at \$25,000 per couple, sold with difficulty. According to one political operative, several midlevel employees at technology companies were offered free tickets to fill out the tables. (LAT)

Senate Clears Flights

WASHINGTON — The Senate passed a major aviation bill Friday that would increase flights at some of the busiest airports while trying to keep the skies over national

parking quiet by limiting overflights. The legislation renews Federal Aviation Administration programs for two years and provides \$10.1 billion in fiscal 1999 for safety, security and building projects.

The bill, which passed with only one dissenting vote, must be reconciled with a similar bill passed by the House last month and then signed into law by the beginning of the fiscal year on Oct. 1 in order to avoid delays in grants for airport improvement projects.

It would provide grants to help communities that have lost services as a result of deregulation. And to increase flights in underserved areas, it increases flights in and out of four major airports: O'Hare in Chicago, La Guardia and JFK in New York, and Reagan National in Washington.

The bill would require commercial air tour operators seeking to fly over parks like the Grand Canyon to meet certain conditions. Language also would revise a 1920 maritime law to allow families of victims of accidents over water to seek not only economic but also punitive damages. (AP)

Quote/Unquote

Rich Galen, an adviser to the speaker of the House, Newt Gingrich, saying Democrats should not be too heartened by polls showing a bounce for President Clinton: "It's like they're in the eye of the hurricane. I wouldn't take the plywood down from the windows just yet." And from Christina Martin, a spokeswoman for the speaker, as Democrats spotlight his role in the controversy: "They are a few fries short of a Happy Meal if they think they're going to pin this on Newt Gingrich." (NITT)

Monday

HEALTH/SCIENCE

With a wide range of topics from technology to space exploration, from recent medical discoveries to how the human brain functions, this in-depth feature brings up-to-date information on scientific and physical developments in the intriguing worlds of health and science.

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THE WORLD'S DAILY NEWSPAPER

"Dow Falls October 21-28, 1998"

"There Will Be a Wild Ride on the Downside. The Market Recovers Very Slowly".

Rebecca Nolan, Editor of FINANCIAL ASTROLOGY.

According to Rebecca Nolan, Editor of FINANCIAL ASTROLOGY newsletter, astrological indicators show a strong downside correction on the D.J. between October 21-28. So be alert.

This will be caused by a combination of declining currencies, lower corporate earnings and the economic crisis in Japan. The market will recover, but slowly, and we're likely to see a bear market for at least 4 months.

Learn the Turning Points BEFORE They Happen

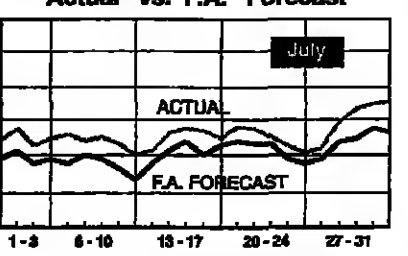
FINANCIAL ASTROLOGY puts you in a more powerful position than ever before to profit from turning points on 19 major stockmarket indexes, 6 major currencies and in 18 commodity futures forecast in every issue. You can read forecast charts showing the daily trends over the next 3 month period in indexes, currencies, commodities and U.S. Treasury Bonds, plus commentaries on what's ahead in these markets.

Remarkable Track Record

Rebecca Nolan's track record is remarkable. The methods she uses to forecast trends on the D.J. and other major markets may be unconventional but they certainly beat more traditional methods used by financial analysts you read in the newspapers. As the "Asian Wall Street Journal" stated: "Don't confuse Rebecca Nolan's market forecasts with 'hocus pocus'. Her investment advice is based on mathematical techniques, which she has spent over 20 years perfecting!"

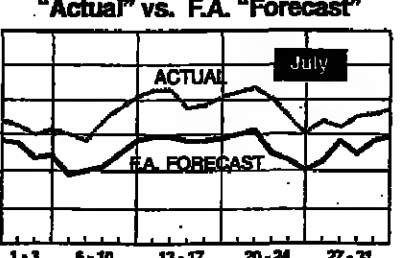
Here are some of her July forecasts from the last issue showing the forecast daily movements and her actual accuracy percentage on a weekly trend basis.

U.S. TREASURY BONDS "Actual" vs. F.A. "Forecast"



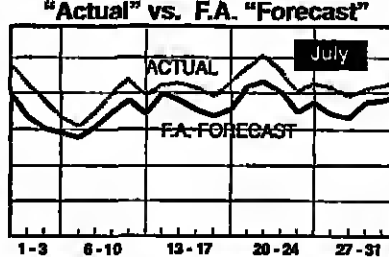
Trend 97% Correct on a Weekly Call Basis

U.K.: FTSE 100 INDEX "Actual" vs. F.A. "Forecast"



Trend 88% Correct on a Weekly Call Basis

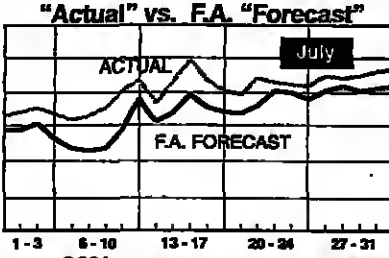
JAPANESE YEN vs. US DOLLAR "Actual" vs. F.A. "Forecast"



Trend 93% Correct on a Weekly Call Basis

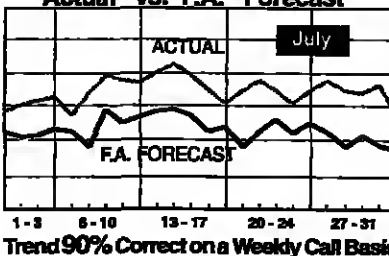
(On the above currency chart, and the chart shown below, a rising trend line shows a weakening in the currency stated against the U.S. dollar. A falling trend line shows a strengthening of the currency against the U.S. dollar.)

DEUTSCHEMARK vs. US DOLLAR "Actual" vs. F.A. "Forecast"



Trend 88% Correct on a Weekly Call Basis

CRUDE OIL PRICE TREND "Actual" vs. F.A. "Forecast"



Trend 90% Correct on a Weekly Call Basis

(The forecast accuracy of all the above charts have been checked by a leading international bank.)

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Ethics Inquiry Said to Clear UN Appointee

By Philip Shenon
New York Times Service

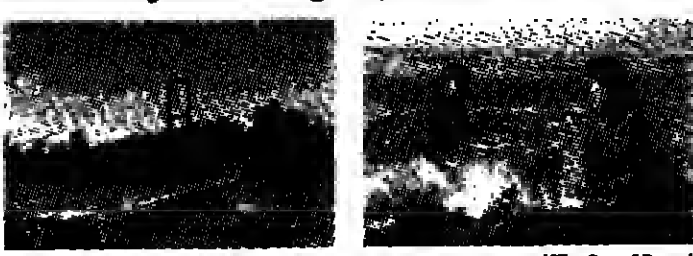
UNITED NATIONS, New York — The lawyer for Richard Holbrooke, whose nomination as the U.S. representative to the United Nations has been sidetracked by a federal ethics investigation, said the inquiry was nearly over and that investigators had found nothing that should stop the nomination from proceeding.

The lawyer, Richard Beattie, said Thursday that the Justice Department had advised him that the investigation focused solely on whether Mr. Holbrooke had benefited from illegal contacts with his former State Department colleagues after he left in 1996 to become vice chairman of Credit Suisse First Boston, a New York-based investment banking firm.

In 1995, when he was an assistant secretary of state, Mr. Holbrooke asked the U.S. Embassy in Hungary to withdraw its exclusive support for a different investment banking firm, Salomon Brothers, for a multimillion-dollar consulting contract with the Hungarian government. Credit Suisse ultimately won the contract.

Mr. Beattie said a Justice Department official had assured him that the investigation was expected to end within a few weeks. A spokesman for the Justice Department, however, had no comment on the timing or outcome of the inquiry.

.....and you thought you'd seen it all!



The Hanging Bridge at Rangamati

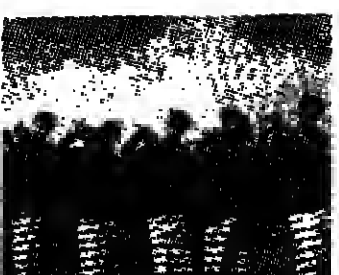
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GERMANY / A SPECIAL REPORT

A Campaign Secret: The Emergence of Right-Wing Extremism

By John Vinocur
International Herald Tribune

DRESDEN — Throughout their campaigns, Helmut Kohl and Gerhard Schröder kept clear of the issue of emerging right-wing extremism with an agility they usually reserved for avoiding specifics on how they would create new jobs, save money and sustain Germany's enormous social welfare system all at the same time.

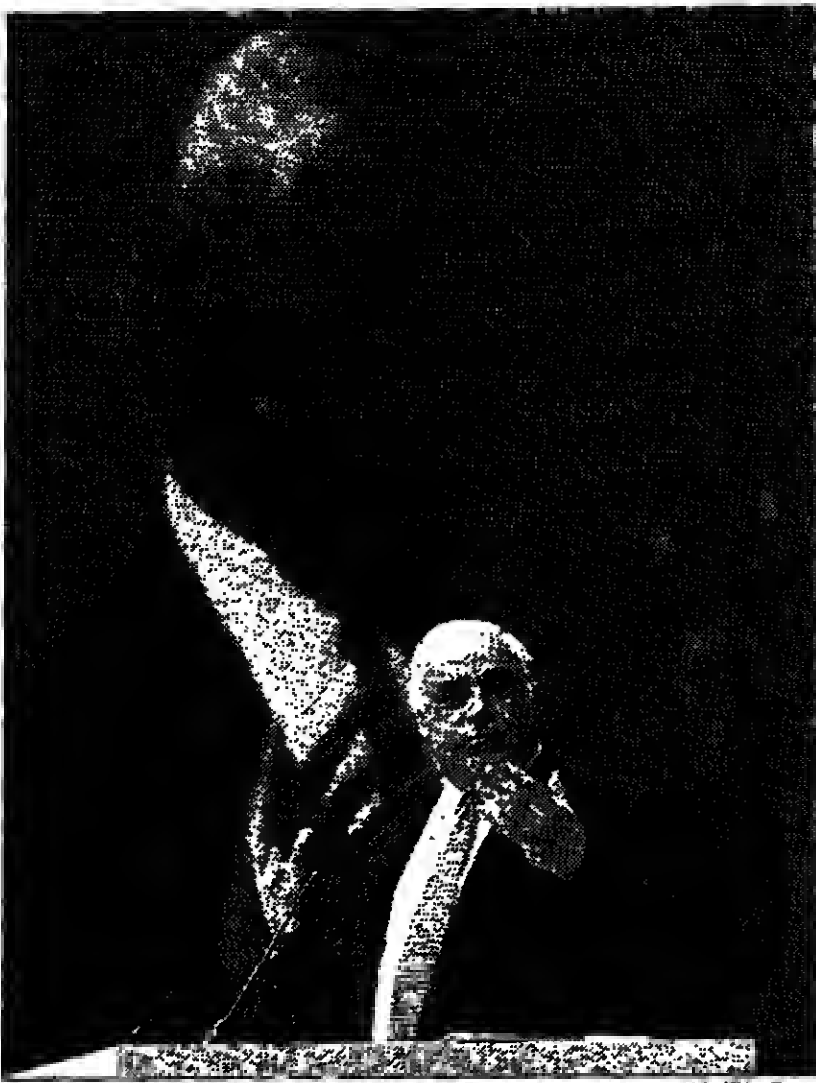
Somebody noticed. Roman Herzog, the federal president who last year shook the Germans by telling them they were sick with self-indulgence and institutionalized timidity, said midway through the campaign that the democratic parties had "to be much more courageous in going up against right-wing radicalism than they have so far."

His remark had little discernible effect. The rise of a new right-wing extremism, centered in the former East Germany, in fact remained a kind of Bermuda Triangle of German electioneering, an uncertain and reputedly disastrous place where no wise campaign captain wanted to steer. However much violence against foreigners had increased in some parts of the old German Communist landscape, and however much the scores of the region's right-wing extremist parties were predicted to grow, Mr. Kohl and Mr. Schröder behaved as if they wanted to navigate around a danger zone where there were votes to lose and few to win.

"Let's say they treated it as a secondary issue," said Mike Schneitzner, a German researcher specializing in the growth of right-wing radicalism at the Hannah Arendt Institute of the Technical University of Dresden. "The candidates wanted to come over as firm guys on a whole lot of issues including foreigners. Their clientele in what was called the working class is a problem. Their instincts are someplace between the Christian Democrats, Social Democrats and the radical right and that's difficult to manage."

While condemning right-wing extremism, neither candidate proposed anything like a full-blown campaign position on the subject meant to attract wide attention among voters.

Rather, the calculation of both mainstream parties seemed to be that if the radical right would very likely enter the Mecklenburg regional Parliament in Schwerin, its internal squabbling would keep it from winning national representation.



The two candidates for chancellor of Germany, Helmut Kohl, left, and Gerhard Schröder, demonstrating their style on the campaign trail as Sunday's parliamentary elections neared.

entation in the Bundestag. In the narrowest vote-counting perspective, this made dwelling on the ugliness of the development in Eastern Germany a risk that need not be taken.

It was an approach that collided with an increasingly alarmed opinion of the growth of right-wing radicalism over the last year. Figures on violent attacks on foreigners have increased in the former East Germany, along with membership in extremist organizations. In the single election this year in the eastern part of the country, the extremist German People's Union, which is known as the DVU, entered the Saxony

Anhalt regional Parliament with 12.6 percent of the vote, well over double the score predicted for it in the polls.

"Right-wing extremist violence exists in the West, too," the weekly Die Zeit wrote in a front-page editorial two weeks ago, "but in contrast to the new states, it isn't embedded in an everyday right-wing extremist culture. To be right-wing, nationalistic and against foreigners is plain normal for many East German young people today."

Mr. Schneitzner, who is 30 years old and grew up in Dresden, believed circumstances vary greatly from former East German town to town, but he in-

sisted, "Nobody would be enormously horrified now if you told your friends on the job that you were voting DVU."

The DVU is one of three extremist parties with some degree of resonance on the ballot in various parts of the country. With extensive funding from Gerhard Frey, a real estate developer and publisher based in Munich, the DVU has created a wide publicity campaign that denies any links to Nazi ideology, violence or skinheads. The party is described by Mr. Schneitzner as programmatically vague and authoritarian, anti-foreigner and anti-Semitic.

Mr. Schneitzner said he thought the National Party of Germany, known as the NPD, had much greater vitality and deeper penetration into the East German youth scene, with its own schools and training groups attracting skinheads to the party. The NPD also renounces violence, but this position seems largely a smoke screen.

A third group is the Republikaner, based in southwestern Germany and spiritual allies of France's National Front. They scored poorly in Bavaria's regional election this month and seem to be a diminished force, without support in the East, where the combined vote-gathering potential of the two other parties is usually estimated at between

12 and 15 percent. The three parties regard one another with scorn, and their incapacity to band together undercuts, for the time being, their chances of winning national representation.

Explanations for the rise of the radical right in the old East Germany are the keys to why the mainstream candidates found so little yield in taking aim at the subject. Joblessness is an obvious general background factor, but some studies show that the groups' new young members usually have jobs. Rather, they appear to be reacting to what is perceived as an arrogant West German attitude towards them, responding with statements of contempt for what they regard as a soft, money-obsessed state.

In a region where close to two-thirds of the population does not identify with the state and democratic roots are minimal, the extremist right's profoundly negative vision of society is constantly reinforced in broad segments of the population through the theses of the Party of Democratic Socialism, the renamed Communist Party, which is expected to perform strongly in the former East Germany, winning up to 20 percent of the vote.

Going after the roots of the problem means acknowledging the extent of the nation's partial failure, almost 10 years

after the fall of the Berlin Wall, to bring the two Germanys together in each other's mind and affections. The candidates stayed away from what clearly would not be an upbeat message. Since foreigners' voting rights, citizenship and integration into German life in the west are also an uncomfortable issue, the democratic parties in fact often wound up encouraging the extremist right with appeals for law-and-order that could legitimize anti-foreigner attitudes.

During the campaign, Mr. Schröder indeed attacked the radical right, but he found himself able to attract much more attention by insisting that he would have no tolerance for foreign criminals.

As for the chancellor, who once refused to go to the funeral of a Turk killed in a firebomb attack because he did not approve of "graveyard tourism," the message to campaign audiences time and again was that Germans are the most neighborly of peoples and wonderful hosts.

But the applause line came elsewhere. "You invite people into your house," Mr. Kohl often said, "but you don't expect them to leave taking the furniture." An imprecise formulation, but few people seemed to miss the point.

Kohl and Schroeder Woo Undecided Voters as Polls Indicate Close Result

One in 5 Will Decide Only at the Ballot Box

By William Drozdiak
Washington Post Service

BERLIN — With the election Sunday shaping up as the tightest one in modern German history, Chancellor Helmut Kohl and his Social Democratic challenger, Gerhard Schröder, sought Friday to court the large pool of floating voters who may decide the destiny of Europe's largest nation.

While opinion polls still give a slight edge to the opposition Social Democrats, they also say that at least one in five among Germany's 60 million voters will remain undecided until the voting.

With the outcome so unpredictable, the chancellor and his opponent engaged in late politicking, hoping to sway enough votes to swing the election. "Everything is wide open, it is fascinating and exciting, like a football game in the last minute," said Peter Loesch, a political scientist at Goettingen University.

Mr. Kohl and his supporters hailed forecasts that Germany's jobless total may soon dip below the critical 4 million threshold as proof that the economy is reviving.

"We have broken the sound barrier, and that is good news for our country," said Otto Hauser, spokesman for Mr. Kohl's center-right government in Bonn.

Germany's high unemployment — about 10.5 percent of the work force — is considered by 9 out of 10 voters to be the most important election issue.

The Social Democrats, who have attacked Mr. Kohl as "the chancellor of unemployment" throughout the campaign, insisted that his government was fudging the figures in a desperate ploy to capture votes.

"The speculation about the latest unemployment figures is just not serious," said Walter Riester, who is in line to become labor minister if the Social Democrats emerge from the voting as the largest party and form the next government.

Mr. Schröder held his final rally in East Berlin, where his party is battling to keep the reformed Communists, now known as the Party of Democratic Socialism, out of the next Parliament. A party secures a place in Parliament if it comes out on top in at least three districts or wins more than 5 percent of all votes.

The fate of the smaller parties — including the Greens, the Free Democrats and the Party of Democratic Socialism — has compounded the uncertainty about who will lead the next government. Since neither the Christian Democrats nor the Social Democrats can hope to achieve an absolute majority to rule on their own, they will be obliged to seek a coalition partner.

If the reformed Communists make it



back into Parliament, their presence would greatly increase the share of the vote needed to form a government with a clear majority.

That would make it extremely difficult for Mr. Kohl's Christian Democrats to sustain their governing alliance with the Free Democrats or for the Social Democrats to team up with the Greens.

The alternative would be a grand co-

alition between the two largest parties, with the chancellor's job going to the party that holds the most seats in Parliament.

This has been tried only once before, from 1966 to 1969, when the Christian Democratic leader, Kurt Georg Kiesinger, headed a bickering coalition that caused such dismay among voters that they elected Willy Brandt to replace him as chancellor and launch 13 years of

the Free Democratic Party, the junior partner of the CDU/CSU, has been in government for most of the federal republic's history, in coalition either with its present partners or with the SPD. It considers itself an essential corrective in its partnership with either of the major parties.

The Social Democratic Party, or SPD, is Germany's oldest party, with roots stretching back to the General German Workers Association formed in 1863. Reorganized after 1945, it entered into a "grand coalition" with the CDU/CSU in 1966. Willy Brandt became Germany's first SPD chancellor in 1969, and was followed by Helmut Schmidt in 1974. In March it designated Gerhard Schröder its official candidate for chancellor.

While Mr. Kohl has acknowledged that a grand coalition is "possible in principle," he has repeatedly insisted he would quit politics rather than participate in a broad governing alliance with the Social Democrats.

"We need a strong government and a strong opposition," Mr. Kohl said in a television interview Thursday. "That is the normal play of forces in a democ-

racy. You can't have 90 percent of Parliament inside the government. A grand coalition would be bad because nothing useful would come out of it."

Mr. Schröder, however, says he is willing to govern with the Christian Democrats even if much of his party would prefer an alliance with the Greens. Mr. Schröder did not enjoy ruling in tandem with the Greens during his first four years as governor of Lower Saxony and he has told close friends he would dread the prospect of having to work with them again as chancellor.

For Mr. Schröder, the prospect of ruling with the Christian Democrats would provide an opportunity to enact the "new middle" programs that would promote the kind of innovative reforms he believes are necessary to keep Germany competitive.

But many of those ideas arouse suspicion in his own party, especially among its rank-and-file working class voters and anti-capitalist intellectuals.

Mr. Schröder has vowed that he would prefer to return to his position as governor of Lower Saxony rather than accept any government post other than chancellor.

After a long and heated campaign that has been personalized as a head-to-head duel between Mr. Kohl and Mr. Schröder, it would become one of the more enduring ironies of German politics if neither man got the chancellor's job and each abandoned the nation's leadership to his supporting cast.

Main Parties Rediscover the East, Where Kingmakers Live in Anger

By John Schmid
International Herald Tribune

DRESDEN, Germany — As wealthier West Germans nervously look on, their countrymen in the formerly Communist East are expected to determine the outcome of the elections Sunday.

Long ignored by Bonn's political elite on the left and right, *burghers* — the citizens of the "other" Germany — have assumed the critical role of swing voters, giving them a collective political weight that is disproportionately heavier than the struggling region's economic importance would suggest, strategists in both big parties agree.

"The East Decides the Election" declared the cover of the influential *Der Spiegel* news magazine last week.

The more the race for chancellor has tightened over the last month into nearly a neck-to-neck duel between Helmut Kohl and his challenger, Gerhard Schröder, the more the Easterners become kingmakers.

Not surprisingly, the main Western-based parties appear to have rediscovered their admiration for the 17 million voters in the East, courting them at every chance.

As both candidates redoubled their efforts and appearances in the East, Mr. Kohl pumped taxpayer funds into make-work programs to artificially lower the East's unemployment rate to 17.1 percent in August from more than 21 percent at the start of the year.

Few care to predict with confidence how the Easterners will cast their votes.

They rank as the nation's most unpredictable and erratic voters, even though they comprise only a fifth of the German electorate. At 31 percent, undecided voters in the East outnumber the fluid 20 percent of undecided voters in the West, according to the independent Emnid polling institute.

The vote on Sunday is only the third national election since the Berlin Wall fell in November 1989, giving East Germans relatively limited experience with ballot boxes and traditional beer-and-sausage campaign rallies. In the dismay of pollsters, few in the East have party loyalties and could vote for the far left or far right out of protest.

Tapping into those votes for Western-based politicians is not easy.

Because of the failure of "inner unification," East Germans often frame issues differently than do their countrymen in Bonn and the West.

"It is the phenomenon of hurt pride and disillusionment," said an Eastern-born strategist for the opposition Social Democrats.

"Every Ossie can remember the Westies who arrived in the Mercedes-Benz after the wall fell and claimed entire houses and industries. There is a psychological dimension of German unification. Yes, life is better but they do feel like second-class citizens."

Still smarting from what they see as condescending treatment by the West, East Germans defiantly hold themselves apart. With wages at about 70 percent of Western levels and longer hours and fewer benefits, many Easterners are proud that they forgo the 35-

hour workweek and six-week vacations of the West.

Party slogans tailored for the West can fall flat in the East, where the party of former Communists, the successors to the hated Stalinist regime, still commands one in five votes but is ostracized in the West.

Mr. Kohl's attempts to portray the former Communists, the Party of Democratic Socialism, as "red-painted fascists" gets no traction in the East, where they constitute the third biggest party.

The East's own issues barely play a role in the campaign, "the Frankfurter Allgemeine Zeitung newspaper said in an editorial this week.

"Thanks at least in part to the East, the results of the election are extremely unpredictable," said Oliver Krieg, political researcher at Emnid in the Western city of Bielefeld.

Mr. Kohl, once feted as the "unification chancellor," is accustomed to jeers and catcalls at his rallies in the East. "With the same language, the same history and same cultural past, I would never have believed that 40 years of separation would have such a deep impact," Mr. Kohl said two weeks ago. "We have drifted further apart than I had expected."

In the heady early days of unification in 1990, Bonn's lawmakers voted to move the capital eastward from the tranquil town on the Rhine River to the sprawling Prussian metropolis of Berlin. The power shift into the bosom of East Germany, meant as a gesture to the new countrymen, hardly plays a role eight years later, despite a cost for the mam-

moth move of \$10 billion and rising. For those willing to place bets, the East appears to be tilting in Mr. Schröder's favor.

In a reversal of 1994, when Mr. Kohl's Christian Democrats commanded nearly 39 percent of the Eastern vote against less than 32 percent for the opposition Social Democrats, today Mr. Kohl's party trails in the East with about 33 percent to 39 percent for the Social Democrats.

That gap is far wider than in the West, where some polls show the two main parties in a dead heat after Mr. Kohl slowly has caught up in the polls.

Twice already, the East has played its swing-voter role, both times in favor of Mr. Kohl. In the 1990 and 1994 elections, when the liberation from a hated Stalinist regime was still fresh in their memories, enough Easterners gratefully lined up to keep the chancellor in office.

Mr. Schröder's advantage, however, is hardly clear cut. Chances are strong that East Germans will return the former Communists to the Bundestag, the main chamber of Parliament. More than any other party, they have presented themselves as the lobby for those who feel disillusioned by spiraling rents, vanishing industries and Western arrogance.

If the former Communists, known as the PDS, make it into the Bundestag, the distribution of seats will all but insure that Mr. Schröder would need the party to form a majority coalition with his favored junior partners on the left, the pro-environment Greens.

Unless Mr. Schröder shocks the na-

tion by inviting former Stalinists into his government, the presence of the former Communists in the Bundestag probably will force him into a "Grand Coalition" with Mr. Kohl's Christian Democrats, keeping Mr. Kohl's party in government, although as the junior partner.

To the dismay of Mr. Schröder, the emboldened leader of the PDS, Gregor Gysi, lures votes with the declaration that a new left-leaning majority "only is possible with us."

"With their vote for or against the PDS, the East Germans will determine the change," *Der Spiegel* wrote.

But Mr. Kohl refuses to write off the East Germans who were once so grateful to him. After he managed to chisel away at Mr. Schröder's once-commanding lead in the West, polling all but even there in the polls, Mr. Kohl redoubled his efforts for a come-from-behind victory in the East that could give him a record fifth term.

The chancellor squeezed 16 Eastern rallies into his campaign schedule in the last two weeks of the race. Brushing aside charges that he deceived East Germans with broken promises of "flourishing landscapes" — the single most stinging charge held against him in the East — Mr. Kohl tried to turn the criticism around.

His posters, television ads and speeches all say he delivered on his promise. The ads showcase the "flourishing landscapes," cataloging new industries and renovations, like the glitzy Leipzig train station.

Taking a swipe at his opponents at a rally last week in Dresden, he retorted:

"There might be hecklers out there, but at least there are no stasi around the corner," referring to the hated East German secret police. "We are free burghers in a free land."

Mr. Kohl lands the region's new state-of-the-art phone system, which replaced one from the 1920s, saying, "The stasi was on the line before you connected with your friend in Munich."

Mr. Schröder attacked the "flourishing landscapes" theme the moment Mr. Kohl launched it. At a rally in Leipzig, the challenger sneered at all the new "office buildings that no one needs and luxury apartments that no one can afford."

To ingratiate themselves, both parties recruited to the campaign politicians who, despite their birth in the West, became prominent Eastern leaders.

Lothar Spaeth, the popular and successful manager of Jeapostik, the only indigenous high-tech company in East Germany that survived unification, signed on as an economic adviser to Mr. Kohl.

Kurt Biedenkopf, the former West German politician who resurrected his career in 1990 as the popular governor of Saxony in the East, joins Mr. Kohl at rallies in the East.

Not to be outdone, Mr. Schröder has appointed an Eastern-born lawmaker, Rolf Schwanzig, as a cabinet-level minister to coordinate East German reconstruction.

In an interview, Mr. Schwanzig castigated Mr. Kohl for not establishing such a ministry in his own government.

GERMANY / A SPECIAL REPORT

Rich, but Not Strongly Competitive

Next Leader Faces Major Problems in Retooling a Creaky Economy

By John Schmid
International Herald Tribune

FRANKFURT — The sheer global weight of the German economy raises the international stakes in the elections Sunday.

Because Germany's partners rely so heavily on it as a free-trade champion, growth engine and the anchor of the new European currency, they often take the nation's commercial health just as seriously as the Germans themselves do.

And they probably do not envy the main job awaiting the next chancellor. The legendary German economic model, which has gone for decades without even a proper tune-up, is fragile and urgently needs an overhaul.

"Germany is already rich, it is just not growing very fast," said Andrew Warner at Harvard University's Center for International Development.

Germany placed 24th in an exhaustive competitiveness study commissioned this year by the World Economic Forum in Switzerland, trailing well behind the United States at No. 3, Britain at No. 4 and the Netherlands at No. 7.

"Germany would change dramatically in our rankings if it had a leaner government, lower taxes and more labor market flexibility," said Mr. Warner, who carried out the study. "It could jump 10 or 15 points."

Whoever wins — either the conservative incumbent, Helmut Kohl, or his center-left challenger, Gerhard Schröder — must confront a once-proud system of state-heavy "Rhine-land capitalism" that has been crippled by chronic mass unemployment and a welfare state that unification has strained to the breaking point.

A retrenchment of government is all that holds the country back after corporate Germany rejuvenated itself with a cultural revolution, cutting costs and staff while moving away from traditional wage systems and introducing performance-linked pay and stock options for executives.

Struggling out of the wreckage of the 1993 recession, business regained its confidence after a painful restructuring that left in its wake armies of unemployed workers who cannot reap the benefits.

For German voters on the left and right, bread-and-butter economic issues dominate the race. Their problem is: Which parliamentary coalition will dare to tackle an unpopular raft of leftist legislation meant to overhaul the entire system of taxation, state-paid pensions, health care and labor.

If the next chancellor pushes through the reforms without too much dilution, the German giant can shake its torpor and rebound as an agile global competitor. It could lure back investment, spawn jobs and lead Europe down the path of lean governments and open competition, economists agree.

That is a big "if."

The next chancellor also must break the political paralysis erected with impressive success in the last two years by lobbyists for unions and social activists. Mr. Kohl's tax and pension overhaul, launched in 1996, died in Parliament in the hands of the opposition in what many saw as Germany's unwillingness to adapt. This is a nation, after all, where militant unions march under the slogan, "If this strong

arm wills it, these wheels do not move."

Both Mr. Kohl and Mr. Schröder have pledged to renew the German model and, above all, create jobs. But given Mr. Kohl's inability so far to push his economic reforms and the vagueness of Mr. Schröder's pronouncements, no one is certain whether the German economic miracle will shine anew or fade.

NEWS ANALYSIS

By virtue of size alone, the German economy belongs in the top leagues. It is the biggest in Europe and the third most important in the world behind the United States and Japan. In exports, Germany ranks second only to the United States.

In many ways, it succeeds in spite of itself.

Despite its structural inefficiencies, it

mainly stubbornly above the psychologically unsettling level of 4 million after falling from a postwar record earlier in the year. In the former East Germany, government figures show, unemployment has fallen to 17.1 percent only because Mr. Kohl has lavished taxpayer funds on make-work jobs, many of which will expire within months of the election.

Even if growth continues, the Munich-based Ifo economic research institute warned last month, failure to push through tax and labor reforms means even higher unemployment in the next downturn.

Another increase in unemployment would be catastrophic, and both candidates for chancellor have campaigned almost solely on the issue of jobs.



Mr. Kohl, center, being congratulated in 1982 by his predecessor, Helmut Schmidt.

has enjoyed a cyclical upswing this year, although the pace of growth recently began to cool in response to the recession in Asia and other emerging markets.

This year's takeover of Chrysler Corp. by Daimler-Benz culminated a German acquisition binge of blue-chip foreign rivals. The biggest publisher of English literature became the German-based Bertelsmann, which acquired Random House, the revered New York publisher, in March.

And yet Germany is surprisingly weak in rankings that measure components other than brute size.

Its shortcomings are laid bare by Mr. Warner's study, which is based on a "national competitiveness" balance sheet.

With government spending generating 49.7 percent of gross domestic product, Germany is nearly just as socialist as it is capitalist, Mr. Warner said. The state-run pension system, which eats nearly 11 percent of GDP, is far too expensive, he said. At \$32 an hour, the average German worker still costs more than in any of the 52 other countries surveyed.

Even with unprecedented concessions by German unions in recent years, the survey ranks German labor flexibility 51st out of the 53 countries. Corporate taxes, the survey confirmed, are the highest in the world.

Pressure to act on Germany's economic problems has never been greater, particularly after Germany's recovery already fizzled out once in 1996. At 10.6 percent in August, unemployment re-

Herwig Schloegl, deputy secretary-general at the Organization for Economic Cooperation and Development in Paris, said Germany should not expect any quick fixes to its unemployment crisis.

"These are challenges on the scale of a generation that will not be solved in three or four years," Mr. Schloegl said. "We are facing an economic revolution like the Industrial Revolution of the last century."

If not for its own unemployed, economists say, Germany should retrench its economy for the sake of its economic allies.

"Germany has a natural leadership role for Europe and if Germany does not take it, then someone else will," said Klaus Friedrich, chief economist at Dresdner Bank.

The next captain of the German economy steps into a key role in economic geopolitics at a critical time. As world leaders scramble to prevent a global recession from the crises in Asia and other emerging markets, Germany will be called on to play a role in "financial crisis resolution," Mr. Friedrich said.

Western allies need a strong advocate of free trade at a time when open-market policies have come under attack by protectionists fearful of contagion from the Asian crisis, analysts point out.

"Until now, the clear leadership was the U.S.," Mr. Friedrich said.

But in the future, with the euro, there will be two blocs and in the formation of a dollar-euro partnership, the German chancellor will have a new and crucial role.

GERMANY: Campaign Built on Vows of No Risk and No Change

Continued from Page 1

embolden change without scaring anybody," said Karsten Voigt, the Social Democratic foreign policy expert who is not seeking another term this fall after more than two decades as member of the Bundestag. A Christian Democratic colleague described the situation more frontally. "The majority of Germans don't want anything like basic policy change. A face here, a little adjustment there O.K. But that's it," he said.

In the case of Mr. Kohl, after 16 years in power, he was hardly at risk of being perceived as Mr. Let's Start Over Again. In fact, over the course of the campaign, his tacit promise of more-of-the-same became the chancellor's strength.

Through the years, Mr. Kohl represented few reforms that frightened anyone. Short of a moderate tax restructuring, there was largely nothing new in his campaign. With the economy ticking up a bit, Mr. Kohl seemed to be saying that Germany had waited out a difficult patch and was now, without much additional effort required, back on track.

If the prospect of any change was embodied in the Kohl candidacy, it was the acceptable area of new faces and in the person of Wolfgang Schäuble, the Christian Democratic Union's Bundestag leader. It was widely expected, supposing a CDU victory, that Mr. Schäuble, who the polls say is the country's most popular politician, could succeed Mr. Kohl once he had gone a year or two into his mandate, crossed the centuries' divide and moved the seat of government to Berlin.

For Mr. Schröder, the change of face he offered seemed in his strategists' minds all the upheaval the electorate wanted or could handle. His campaign was studded with words that evoked change in vague yet reassuring tones — modernity, the New Middle, new technology, elites formed through equal chances at advancement. But Mr. Schröder fled the specific. His campaign pledges were essentially restorative ones, not innovations: repealing this facility for employers to cut staff, eliminating that limitation on sick pay etc.

For both men, the German model,

touched up here and there, a coat of paint on the rough spots, was just fine.

Mr. Schröder, who has virtually no experience in foreign or security affairs, attached himself to the positions on international relations that Mr. Kohl established as the country's standards, saying he would change next to nothing in Germany's role in the world.

It was a totally safe course set by a man who would be the country's first chancellor without direct experience in World War II. But it well reflected public attitudes that are largely uninterested in any special leadership stance for Germany and satisfied with the country's achievement in eliminating any major tensions with its neighbors. These circumstances appeared as givens to the electorate, and there was no sign in the polls that Mr. Kohl would be specifically rewarded for having contributed so much to them.

Neither candidate made much of the growing gap between rich and poor in the country and neither proposed a concrete or cohesive answer to the challenge of how the cost of social justice was to be borne, return on productive investment in Germany made competitive and millions of lost jobs re-created. The main-

stream debate on society that President Roman Herzog said was necessary to give a tired Germany a new start never took place.

This situation underscored the irony that the only real alternatives in the campaign came from the margins: the former Communists of East Germany, renamed the Party of Democratic Socialism, who called for renationalized industries and capital controls, and the Free Democrats, who proposed a free market economic restructuring familiar to the Conservatives in Britain and the Republicans in the United States. The Free Democrats were an uncertain bet to be returned to Bundestag and the former Communists were condemned, at least on the national level, as a democratic impersonator beyond the respectable pale.

Because both sides of the middle ventured little in this election and most of the voters seemed to ask for no more, a Grand Coalition of the Christian Democrats and Social Democrats was its eminently conceivable outcome. That was change, of course, but perhaps not so much that anyone in the country would have to readjust to some new or vital substance.

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THE WORLD'S DAILY NEWSPAPER

President Takes Swing at Republicans Over Budget

By Peter Baker
Washington Post Service

WASHINGTON — An increasingly aggressive President Bill Clinton assailed congressional Republicans on Friday for not passing budget bills for the new fiscal year starting next week, indicating a willingness to scrap with Congress even as it considers opening impeachment proceedings against him.

Mr. Clinton signed a stopgap funding measure Friday morning to keep the federal government open after Oct. 1 even though Congress has not sent him most of the appropriations bills necessary for full-year operations.

"The legislation is a regrettable sign that the Republican majority in Congress has failed to address the urgent priorities of the American people," Mr. Clinton said on the South Lawn after signing the measure and before he left Washington for a three-day political swing to Illinois, California and Texas. "By failing to meet its most basic governing responsibility, the Republican majority in Congress has its priorities wrong — partisanship over progress, politics over people."

The attack infuriated Republican leaders and underscored the renewed confidence at the White House following weeks of political trouble generated by the Starr report on the president's actions regarding Monica Lewinsky.

White House strategists believe they have stabilized their political plummet and are eager for a fight over policy with Republicans that would change the subject to territory where Mr. Clinton has succeeded in outmaneuvering them before.

"It isn't too late, but Congress cannot simply keep passing patchwork spending plans, putting off choices about national priorities until next year — or at least until after the election," Mr. Clinton said. "It is time now for Congress to buckle down."

The Senate majority leader, Trent Lott, Republican of Mississippi, bristled at the president's remarks, calling them a "gratuitous slap" at an inopportune moment. "What he's trying to do is distract attention from his problems by putting the blame somewhere else," Mr. Lott told reporters. "We need a president who is engaged, and he is not."

Congress has sent Mr. Clinton only one of the 13 annual appropriations bills, although leaders on Capitol Hill have said they are making progress and will finish their work before recessing Oct. 9 to return home for the fall campaign.

Mr. Clinton rebounded from a political low following the 1994 Republican takeover of Congress by portraying Republicans as obstructionists during a protracted budget battle the next year. Many voters blamed Congress for the temporary shutdowns of the federal government, which helped Mr. Clinton win re-election in 1996.

Even as the president took his slap at Republicans, the House Judiciary Committee was meeting to decide how much more still-secret evidence sent by the independent counsel Kenneth Starr to make public next week. The committee plans to vote Oct. 5 or 6 on whether to launch a formal impeachment inquiry, followed by a vote by the full House on Oct. 9.

Panel Considers Mountain of Evidence

Turn by partisanship and internal party differences, the House Judiciary Committee met in closed session to prepare 60,000 pages of potential impeachment evidence for public release, The Associated Press reported.

While the committee rushed to send the material to the government printer Monday, a Democratic lawmaker sought to postpone the deadline and keep the information secret for now.

Representative Zoe Lofgren, Democrat of California, proposed over Republican opposition that the committee determine, before releasing anything else, whether Mr. Clinton's conduct constituted a "high crime and misdemeanor." That is the standard for impeachment, but the term is not defined in the U.S. Constitution.

Ms. Lofgren handed out copies of the motion she made as the committee met to approve deletions of irrelevant material in the documents, much of it sexually graphic.

Her resolution demonstrates differences between the parties.

Republicans want to release information provided by Mr. Starr and then begin an impeachment inquiry before delving into such legal issues. Democrats believe the legal standard must be addressed first.

Democrats say their constant calls for fairness to Mr. Clinton are taking hold with the public, as demonstrated by the president's still-strong job approval rating and opposition by most Americans to impeachment.

"The public perceives the handling of these procedures as terribly unfair," said Jim Jordan, a spokesman for Democrats on the Judiciary Committee. "I'd be surprised if we didn't see a significant tactical recalibration by committee Republicans."

Earlier this week, Republicans used their majority power to release Mr. Clinton's videotaped grand jury testimony and 2,800 pages of backup material, including the grand jury testimony of Ms. Lewinsky.

This time, there is a much bigger mountain of material to consider from Mr. Starr.

Included in the material is the grand jury



Trent Lott, Senate majority leader, called Mr. Clinton's remarks a "gratuitous slap." testimony of the following: Vernon Jordan, who is a presidential friend; Betty Currie, a Clinton secretary; Ms. Lewinsky's former friend, Linda Tripp, and transcripts of Mrs. Tripp's recorded conversations with Ms. Lewinsky.

Clinton May Be Preparing To Settle Paula Jones Suit

By Peter Baker
and Susan Schmidt
Washington Post Service

WASHINGTON — Lawyers for President Bill Clinton are quietly exploring a financial settlement with Paula Jones that would end the long-running legal battle that led to the crisis now threatening his presidency, according to sources familiar with the situation.

Attorneys for Mr. Clinton and Ms. Jones have conferred in recent weeks about whether a deal can be reached before an appeals court hears oral arguments next month on her bid to reinstate the sexual harassment lawsuit that was dismissed in April by a federal judge in Little Rock, Arkansas, the sources said.

"There's some talk going on," said a source who requested anonymity.

The tentative discussions in the case that helped generate the impeachment report sent to Congress by the independent counsel, Kenneth Starr, involve a possible payment by Mr. Clinton in the range that was contemplated by the two sides during past failed negotiations. Ms. Jones rejected a proposed \$700,000 settlement from Mr. Clinton a year ago

because it did not include an admission and apology from the president, but her associates suggested last February, just weeks before the case was thrown out, that she would accept \$900,000.

Details remained sketchy on Thursday, and neither side would comment. Sources said the team representing Ms. Jones initiated the new discussions about two weeks ago with a letter proposing a specific payment but dropping Ms. Jones's long-standing demand for a written statement of contrition by the president. Mr. Clinton's side rejected the proposal, and the matter was closed until an attorney for Mr. Clinton, Robert Bennett, called Dallas-based lawyers for Ms. Jones to float a counterproposal, a source said.

The renewed contact comes at a time when Clinton allies also are trying to cut a deal with Congress to head off impeachment by agreeing to a censure or some other punishment for his actions regarding Monica Lewinsky. While Republican leaders have rebuffed the idea for now, White House advisers are cautiously optimistic about reaching an accord after the November congressional elections. Getting rid of the Jones suit as well would help clear the deck for the final two years of Mr. Clinton's term.

Ms. Jones has her own reasons for seeking a settlement now. In addition to the fact that her case was thrown out and may not be resurrected by the appeals court, she and her husband, Stephen, have financial problems because he lost his job at Northwest Airlines earlier this year and both remain out of work. A financial payment from Mr. Clinton also would spare her months, if not years, of uphill litigation.

By dropping her demand for a formal apology in the latest discussions, Ms. Jones abandoned a position she had taken since filing the suit in 1994: that she wanted vindication, not money. A dispute over that insistence led to a bitter breakup with her previous legal team last year.

In notifying Congress of 11 possible counts for impeachment, Mr. Starr accused Mr. Clinton of committing perjury, tampering with witnesses and obstructing justice during the Jones lawsuit.

Mr. Clinton has maintained that, while misleading, his answers were "legally accurate" during a Jan. 17 deposition in the Jones case when he denied having a sexual relationship with Ms. Lewinsky. His Aug. 17 admission before the grand jury convened by Mr. Starr and in a televised speech that he had an "inappropriate intimate" relationship with Ms. Lewinsky gave ammunition to lawyers as they try to revive Ms. Jones's suit.

HEDGE: Markets Shudder

Continued from Page 1

going to become more cautious; Let's face it, they've taken a big hit."

"Ironically, LTCM's good reputation gave them greater access to huge quantities of money," said Mr. Hale, "and greater exposure." The hedge fund's managers include John Meriwether, one of Wall Street's most famed bond traders; two Nobel laureates in economics; and David Mullins, a former senior Treasury official and former vice chairman of the Federal Reserve Board.

Even before the LTCM rescue became known, Britain and France had called in recent days for an overhaul of the international financial system. German officials, however, appeared to reject those proposals on Friday.

"We don't need new institutions and we need to keep flexible relations between currencies," said the German economics minister, Guenther Rexrodt, as he arrived in Vienna for a meeting of European Union finance ministers.

"We don't need a new architecture or new organizations, we need new accents in policy," said Hans Tietmeyer, president of the Bundesbank. He called for greater transparency of banking structures and economic policies. (Page 15)

Mr. Rexrodt was standing in for the German finance minister, Theo Waigel, who was due to arrive Saturday, when the International Monetary Fund's managing director, Michel Camdessus, was also due to join the discussions on how to tame the turmoil that has shaken the world's markets for the past 14 months.

One banker involved in the rescue talks Wednesday told The Washington Post that many of the banks and investment houses had agreed to join the rescue only after Fed officials had warned that failure would result in "chaos" in financial markets and could damage economic growth worldwide.

The banker said the Fed officials were concerned about the prospect of a "domino effect" if the sell-off of about \$100 billion in market bets placed by LTCM triggered a new wave of losses and forced sales of assets by other institutions.

Germany's largest bank, Deutsche Bank, said Friday that it would contribute about \$300 million to the LTCM bailout, even though it had no stake in the hedge fund, to prevent further turbulence in the international markets.

Bank shares in Paris were particularly hard hit. Societe Generale closed down 8.06 percent, Paribas fell 7.97 percent, and Banque Nationale de Paris plummeted 7.59 percent. At one stage shares in the banks were suspended from trading after they dropped more than 10 percent. Both Paribas and Societe Generale have confirmed they will contribute to the LTCM bailout.

Fitch IBCA, the London-based credit rating organization, said Friday that the exposure of the major U.S. securities firms and commercial banks appeared to be "manageable" following the rescue.

"While the potential for losses had been high, the plan appears to have stabilized the situation and the exposures appear to be manageable at this point," the agency said.

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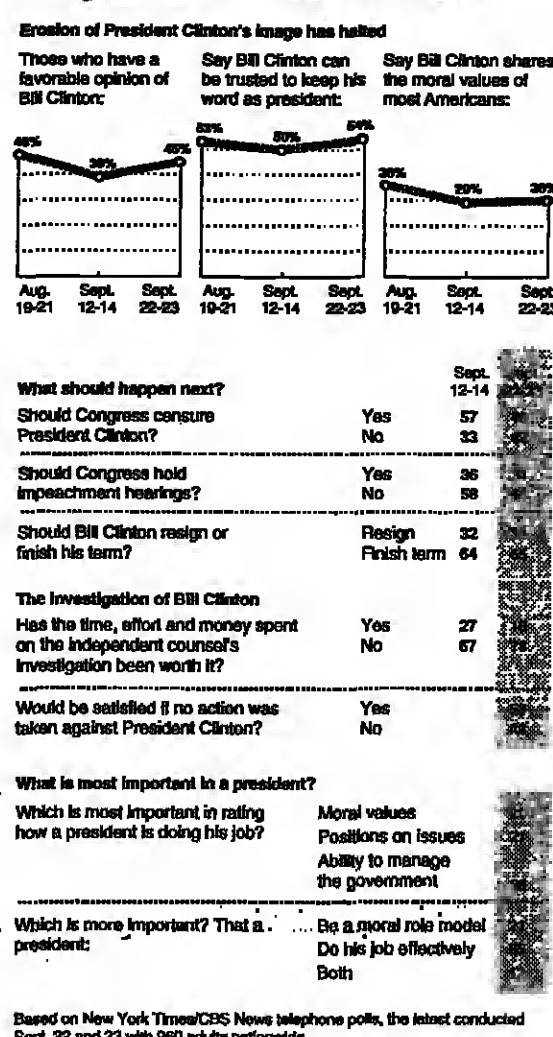
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Public Views of the President, Congress and Future Priorities



Likeliest Voters Favor Republicans

The people who are most likely to vote have considerably different views than registered voters overall.

	ALL REGISTERED VOTERS	LIKELY VOTERS	MORE LIKELY VOTERS	VERY LIKELY VOTERS
Preference for House of Representatives:				
Republican candidate	36%	44%	50%	53%
Democratic candidate	44	43	41	41
Opinion of Bill Clinton's job performance:				
Approve	68	62	57	48
Disapprove	38	36	41	49
What should Congress do?				
Begin impeachment hearings	28	33	38	50
Censure Clinton	28	30	29	22
Drop the matter	40	35	31	28

Based on telephone interviews conducted Sept. 22 and 23 with 960 adults nationwide, including 500 registered voters.

Likely voters (400) are registered voters who said they will definitely vote this fall, are paying attention to the campaign and voted in either 1994 or 1996.

More likely voters (241) are registered voters who said they will definitely vote this fall, are paying attention to the campaign and voted in both 1994 and 1996.

Most likely voters (128) are registered voters who said they will definitely vote this fall, are paying a lot of attention to the current campaign and voted in both 1994 and 1996.

ALLIES: Spectacle in U.S. Worries Leaders Abroad

Continued from Page 1

capacity to lead, at home and abroad."

So that the United States can speak with one voice if serious crises need to be addressed this fall and winter, while impeachment proceedings may be taking place, the ambassador urged that the White House hold intensified foreign-policy briefings for Republican leaders in Congress, starting now.

"There are many complex problems in the world that were not able to be solved even before these events, and we shouldn't confuse the two," Mr. Vedrine cautioned a group of reporters at breakfast in New York City on Wednesday. "But that is my answer today. Will this affect America's capacity in the future? I hope not."

Some officials insist that Mr. Clinton has not been distracted at all.

For example, Alastair Campbell, spokesman for Prime Minister Tony Blair of Britain, said after Mr. Blair and Mr. Clinton had talked at the UN in New York on Monday, the very day that Mr. Clinton's grand jury testimony was broadcast: "The prime minister found him totally focused and able to focus, and engaged on all the issues where he needs to be engaged."

But the calculus is a bit more complicated than that. It involves many questions, of which the president's ability to concentrate is only one.

Can he spare the time, for instance, to rally international coalitions? Can he influence congressional action on foreign policy?

Will all his actions abroad be interpreted in unfriendly quarters at home, like the bombing raids on Afghanistan and Sudan, as mere ploys to divert attention from the Lewinsky case and impeachment hearings?

One thing is clear in almost every capital: A crippled president is good news for no one.

Gratitude for past support was one element in the standing ovation that Mr. Clinton received at the UN. It was led by Foreign Minister Rosario Green of Mexico, which the Clinton administration bailed out of a financial crisis nearly three years ago.

But the applause was also designed, some delegates said, to strengthen Mr. Clinton's hand during a time of trouble.

People in different countries fret about different issues.

A top-ranking State Department official said that proposals for fresh initiatives in two of the most

difficult situations, those in Kosovo and in Iraq, have been on Mr. Clinton's desk for some time. He would not say how long, but he commented: "We need action, and in normal times, we would have had it. But these are not normal times, as you may have noticed."

The United States has sat quietly while Saddam Hussein expelled UN arms inspectors, having said previously that it would not accept such action, and it has failed so far to intervene to slow Serbian attacks upon ethnic Albanians in Kosovo.

Some Europeans think Mr. Clinton's hands are tied.

"He cannot order retaliation against Islamic terrorism without raising the suspicion of it being a reckless political expedient," wrote Alberto Ronchey, the former head of the publisher Rizzoli RCS, in the Milan newspaper Corriere della Sera.

An Asian diplomat complained bitterly about what he called "intolerably late, intolerably inadequate" U.S. action in the case of Anwar Ibrahim, the former Malaysian deputy prime minister, who was fired earlier this month from his positions in the cabinet and the ruling political party, then arrested in Kuala Lumpur on Sunday. He is expected to be tried on charges of sexual misconduct and is under investigation for treason, sedition and unlawful assembly.

Washington's first official comment came only Thursday, in the form of a statement by the State Department spokesman, James Rubin, expressing concern over the detention of Mr. Ibrahim.

Asian representatives in Washington wanted a tougher American line, enunciated by Mr. Clinton.

The international financial crisis is another cause for anxiety, although some foreign officials continue to say that Treasury Secretary Robert Rubin can manage U.S. economic policy with minimal White House help.

Others suggest, although without offering any convincing proof, that if Mr. Clinton had not been preoccupied this past summer when economic troubles broke out in Asia, Russia and then Brazil, he might have been able to react much more aggressively.

And his legal troubles are widely blamed abroad for the president's inability to persuade Congress to authorize an additional \$18 billion for the International Monetary Fund.

'You'd have to be a mental defective not to see that Clinton has been weakened.'

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POLLS: U.S. Opinion Becomes Friendlier to Clinton

Continued from Page 1

to a narrow, partisan core of Republicans may carry long-term risks, however, if they give the party a lasting image as overly partisan and seeking primarily to topple a twice-elected president.

The apparent resurgence for Mr. Clinton has come swiftly and is surprisingly pronounced.

Not only has the months-long slide in his personal ratings halted but, in a marked shift from only a week ago, Americans also trust him more as a leader, like him more, are less inclined to think he committed perjury before the grand jury and increasingly believe that the scandal is a private matter that has little to do with his job as president.

Regulators said they probably would not decide on the issue within the next two or three years.

Mr. Clinton is also helped by a growing sense among Americans that the investigation of his activities by the independent counsel Kenneth Starr has spiraled out of control.

In a telling display of the public's exasperation with the entire matter, people are now divided over whether Mr. Clinton should be censured by Congress.

At the moment, 46 percent of respondents favor censure, and 55 percent of Republicans do so.

Only a week ago, 37 percent of all Americans, according to the poll, wanted such punishment, as did 70 percent of Republicans.

Despite the more promising news for Mr. Clinton — his job approval rating has risen in the past week to a solid 67 percent, and even to a respectable 40 percent among conservative Republicans — his gains should be viewed in relative terms.

Most Americans, for example, continue to say that the president does not share their moral code.

But the most striking finding in the telephone poll, conducted nationwide Tuesday and Wednesday with 960 adults, was that on question after question Mr. Clinton had recaptured support.

Summing up the sentiment of Americans who have grown impatient with the House Judiciary Committee, Virginia Caperton, 68, a retired factory supervisor in Fennville, Michigan, said, "I just feel like the Judiciary Committee is too partisan."

Mrs. Caperton, a Democrat, explained in a follow-up interview: "I don't think they're going to give him enough time to go through all of the testimony. I don't think that the offense that he committed is worth all the time and the trouble and the expense of impeachment hearings."

FLU: Experimental Pill Cuts Days Lost to Winter Illness and Eases Its Symptoms

Continued from Page 1

the start of symptoms and were given the medicine or dummy pills.

GS4104 appeared to reduce the duration of symptoms from an average of 4.3 days to 2.9 days while also making people feel less miserable.

In a separate study on about 1,600 volunteers, researchers found that only 1 percent of people taking the pills became sick, compared with nearly 5 percent in an untreated comparison group.

The flu drugs already on the market are Symmetrel, known generically as amantadine, and Flu-madine, known as rimantadine. Both are effective

against influenza A, which causes about two-thirds of flu cases. But they are useless against influenza B, the viral strain that causes the rest.

Study of Fetal Gene Therapy Sought

Rick Weiss of The Washington Post reported: Two scientists have asked a federal advisory panel to weigh the medical and ethical implications of their plan to conduct the world's first genetic experiments on human fetuses in the womb.

They propose giving fetuses afflicted with genetic diseases new genes before they are born, thus preventing prenatal death or lifelong disability.

"What we're shooting for is a born child who

needs no other therapy," said W. French Anderson of the University of Southern California, who would lead the experiments with Esmail Zanjani of the University of Nevada.

The proposal has raised concerns that the treatments might harm the mother or the fetus or lead to the birth of a partially cured but severely disabled child who otherwise would have died before birth.

Equally troubling to some, the researchers have said that there was a "distinct possibility" the technique would also cause inadvertent changes in the fetus's "germline" cells — its eggs or sperm.

Regulators said they probably would not decide on the issue within the next two or three years.

Italy to Battle Over Tight Budget

The Associated Press

ROME — Italy's center-left government braced for a battle with its hard-line Communist allies Friday after it unveiled a 1999 budget that sticks to deficit-cutting targets promised to European partners despite a slowdown in economic growth.

In the budget it is sending to Parliament, the deficit target remains at 2.2 percent of gross domestic product despite new forecasts that domestic product growth this year will be 1.8 percent instead of the 2.5 percent predicted last spring.

Italy's Refounded Communist Party is divided over whether to back the budget, but hard-liners who say it does not do enough to create jobs are expected to prevail when the party takes a strategy vote next week.

The Refounded Communists are not part of the governing coalition, but Prime Minister Romano Prodi needs their 34 votes to muster a majority in the

lower house. Without them, he might have to turn elsewhere, but it would be costly. The leader of the opposition center-right, former President Francesco Cossiga, has said he might back Mr. Prodi's budget — but only if Mr. Prodi resigns in return.

The leader of the Refounded Communists' moderate wing, Armando Cossutta, has warned that his party risks provoking a government crisis that would bring the right to power. But Fausto Bertinotti, the party's hard-line secretary general, insists that he cannot back the plan.

The budget, designed to keep Italy in line with the requirements for European monetary union, calls for \$8 billion (13.5 trillion lire) in deficit-cutting measures. Italy is a charter member of the euro, the common currency.

Mr. Cossiga said a budget crisis might force the government into a vote of confidence but that the Communists then would likely back Mr. Prodi.

Strong Nationalist Is Elected by Serbs

SARAJEVO, Bosnia-Herzegovina — A Serbian ultranationalist, Nikola Poplasen, has been elected president of Bosnia's Serb Republic, an election official told reporters on Friday.

He also said that a hard-line incumbent, Momcilo Krajisnik, had lost the race for the Serbian seat on the three-person collective state presidency in Bosnia to the more moderate Zivko Radisic of the Socialist Party.

The Croatian nationalist leader Ante Jelavic of the HDZ party won the contest for the Croatian seat on the presidency, while Alija Izetbegovic of the SDA party held on to the Muslim seat.

The Sept. 12-13 election was organized by the Organization for Security and Cooperation in Europe.

Suharto Offers to Bare Accounts

JAKARTA — Former President Suharto of Indonesia handed draft letters to the government on Friday that would empower the authorities to open any accounts in his name and to seize any money they discovered, Attorney General Mohammed Ghalib has said.

Mr. Suharto, accused of having amassed a fortune during his 32 years in office, came to hand over the drafts of his own free will, Mr. Ghalib said. The letters were not signed, he said, because the final versions are not ready.

Mr. Ghalib said the visit was evidence the aging former head of state was "willing to come to the office any time" in connection with allegations he hid millions of dollars in foreign banks.

One of the draft authorization letters, he said, notified banks here and abroad to turn over any information they have on accounts in Mr. Suharto's name.

The other letter empowered the government to open the accounts, take

any money and return it to Indonesia.

Mr. Ghalib stressed that such a search would take time. "Even in the Philippines it took 12 years," he added, alluding to the drawn-out battle by Manila to recover the wealth accumulated by Ferdinand Marcos while he was president.

Mr. Ghalib said no travel ban would be imposed on Mr. Suharto despite the investigation under way into his finances. Mr. Suharto assured him, he said, that he was not going anywhere.

Asked whether Mr. Suharto's six children, all of whom have interests in companies, would be investigated, Mr. Ghalib said that was possible.

"That depends on the development of the investigation," he said, adding: "The law is the same for everybody."

Mr. Suharto, who stepped down May 21 amid protest demonstrations, has repeatedly denied holding "a single cent" in foreign accounts, and he challenged anyone to find such wealth.

ART

The Maya: A Culture Reborn

Exhibition in Venice Spans a Vast Civilization

By Roderick Conway Morris
International Herald Tribune

VENICE — Until recently the Maya were a classic lost civilization, their abandoned cities and stupendous ziggurats buried in remote jungle, bearing mute witness to a vanished culture and a society about which little was known.

In the 1950s the breakthrough came with the first success at the decipherment of Maya script.

This painstaking work has progressed steadily since then, and as a result the ancient Maya have been brought back to life, their silent cities peopled once again with kings, queens, priests, warriors, artists and craftsmen with names, titles, dates of birth, death and even more detailed personal histories.

The Maya are now accepted as having been the most advanced civilization in the pre-Columbian Americas.

Their writing system, mathematics (they invented the concept of "zero" hundreds of years before it was independently formulated in India), astronomy (they measured the solar cycle with an error of only 17.28 seconds) and their complex set of calendars (there was one of 365 days) and architecture reached levels of sophistication unparalleled elsewhere in the New World.

The Maya civilization flourished for more than 2,000 years in an area of more than 325,000 square kilometers (about 125,000 square miles), now divided among southern Mexico, Guatemala, Belize, Honduras and El Salvador.

Palazzo Grassi on Venice's Grand Canal is hosting an impressive exhibition titled "The Maya." It consists of 600 pieces that bring together for the first time under one roof artifacts from every period from all these countries, with additional works from collections in England, Germany, the Netherlands and the United States.

The show, which continues until May 16, 1999, is accompanied by a lavish catalogue, including some beautiful photographs of the sites, in which nearly 30 experts present a wealth of fascinating material and many new revelations in succinct and readable essays.

While sharing a common culture, the Maya were divided among a number of kingdoms often at war with one another. Lack of unity put them at a severe disadvantage when the Spanish launched their conquest.

Yet, whereas the Aztec Mexico City fell after two years in 1521, the Maya, who were first invaded in 1527, put up such a ferocious and sustained resistance that the capital of the last kingdom to fall, that of the Itza at Nojpeten, was not captured until 1697.

The extraordinary story of this little-known 170-year war, during which the Spanish, even after having established a colony were at one point ejected, is told by Grant D. Jones in the catalogue.

The strategy of the Itza included the establishing of a broad buffer zone between themselves and the enemy and a protracted campaign to retain, by violence where necessary, "the hearts and minds" of the Maya, who were forcibly or by persuasion being brought under Spanish control.

And, as Jones makes clear, had the

and their religious beliefs than we do, for example, about those of the Celts, who left no written records of their own.

The Maya saw human sacrifice as an activity essential to keeping the world and heavens running smoothly, regarding humankind not as passive observers of the cosmos but as mechanics entrusted with its maintenance.

Indeed, some scholars see the endemic warfare between kingdoms as motivated substantially by the need to take prisoners and keep up the supply of fodder for human sacrifice.

This bloodthirsty aspect of Maya culture undermines the fashionable claim — avoided by this exhibition — that, in view of their achievements in writing, science and architecture, the Maya were "the Greeks" of the New World.

In fact, the Maya more closely resembled the Romans, who combined a high level of civilization and expertise in building and practical infrastructure with the horrors of the Roman circus, which was not only a form of entertainment but an assertion of the power of the state and the circumscribing of disorder within a controlled ritual arena — something with which a hypothetical Maya visitor to ancient Rome might well have been able to empathize.

For all the centuries of destruction, pillage and neglect, a sumptuous range of Maya art and artifacts has survived and their variety is well represented in the Palazzo Grassi show.

Thanks to the decoding of Maya texts, we understand the significance of these objects as never before. And, although Maya design seems at first characterized above all by static, stylized and symbolic representation, the exhibition also reveals the great delicacy of some Maya art and the naturalism and dynamism of which it was capable, notably in ceramic portraiture and models of human figures in motion.

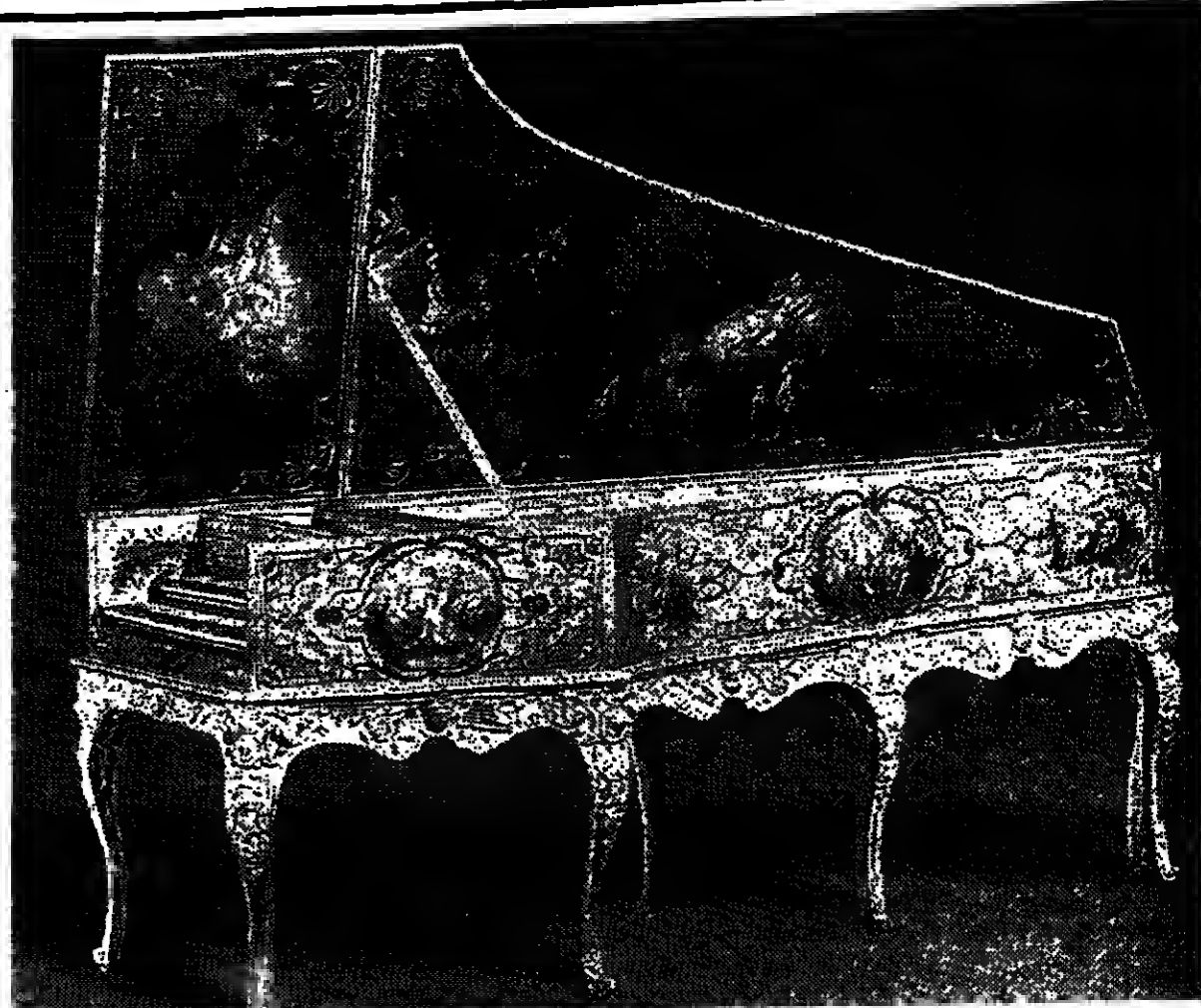
The direct descendants of the Maya today number more than 5 million spread over a wide area. Most are poor peasants and live in Guatemala, where they constitute more than half the population, and in Honduras, Belize, El Salvador and Mexico, where the Zapatista uprising in Chiapas has won them worldwide attention.

The coming of peace to much of the rest of this area of Central America has made Maya sites and the Maya themselves more safely accessible than they have been for many years.

This is therefore a timely exhibition, laying before the public much that is new in an exciting field in which important archaeological sites are yet being located and major discoveries still being made.



Figurine from late classic period, from Jaina Island, Mexico.



The 18th-century harpsichord by Nicolas and Francois-Etienne Blanchet, with a Flemish soundboard.

Paris Biennale, Old and New

By Souren Melikian
International Herald Tribune

PARIS — There is nothing like the shadow of a crisis in the background to sharpen wit. The 19th Paris Antique Dealers' Biennale, which is on until Oct. 4, has never been so interesting.

Courbet, Monet, Vuillard. And then Matisse, Braque, Nicolas de Staël, even Boccioni. The massive intrusion of modernity into what used to be the grand showcase of the Grand Siècle and the Pompadour age merged in one says a lot about the deep transformation of French society in the past decade.

The showcase is still there, intact, like those period facades lining Paris streets, behind which heavy machinery grinds everything to dust to make way for high-tech interiors. Between them, the galleries Didier Aaron, Maurice Segura, Michel Meyer and a few more manage the right number of marquetry commodes, giltwood fauteuils, glittering chandeliers and candlesticks to keep up the theatrical version of the Versailles court style that has been dazzling the European establishment ever since the French revolutionaries tried to burn it all down.

But even in its most traditional displays the 1998 Biennale betrays an effort to use novelty to grip the collectors' attention. Maurice Segura proudly exhibited a Louis XVI commode by Philippe Pasquier, who loved the marbled pattern of yew hurr. The contrast between the abstract shimmer in rich brown hues and the crisp, monumental ormolu fittings in the ancient Roman taste is striking.

Most revealing in the search for novelty is the recent development of cross-border partnerships. In the decorative arts, where the sense of French identity was traditionally fiercely assertive, this is a small revolution. Jean-Marie Rossi of Aveline, one of the great French connoisseurs of furniture, teamed with the Galerie Neuse of Bremen. Their joint effort is remarkable.

On their stand, a pair of black lacquer tables made around 1745 that graced Schloss Dahlen in Saxony have a sharpness of design enhanced by gilding and a thrust to their slender curving legs unmatched in French rococo. Among the German silver vessels, a beaker struck by Jobst von der Gabor of Bratislava (he would have called it Pressburg) with the mark for 1589 stands out as a reminder that German culture was seeping into Central Europe.

The Renaissance engraved decor-

ation of the beaker draws on the Venetian repertoire including its massive borrowing from Iranian abstract ornament — those were the days of true internationalism when strongly individualized cultures existed and cross-fertilized.

Achim Neuse says that objects such as this have a strong appeal in France, where there are more collectors of Renaissance art than anywhere else. This is, after all, the only country that can boast a "Musée National de la Renaissance," at Ecouen, 30 kilometers from Paris.

An even more surprising partnership brought together the Pelham Galleries of London and Etienne Levy Ltd. of Paris. Alan Rubin, who runs the Pelham Galleries and is a passionate musicologist married to the pianist Linda Nicholson, brought over a French harpsichord made around 1720 by Nicolas and Francois-Etienne Blanchet of Paris, adapting the soundboard of a Flemish harpsichord. This, Rubin explained in highly technical detail, can only be the work of Ioannes Ruckers and Ioannes Couchet, somewhere around 1645. Flemish harpsichords of the previous century were as sought after in the 18th century as a Stradivarius violin would be today.

With barbed humor, Rubin topped this essay in internationalism with one less complimentary to the French. Over the harpsichord hangs a lantern made after a design by George Bullock, with a brass plate riveted to its base: "The Lamp of Baconaparte, used St. Helen 1821." Rubin believes the plaque was added when the contents of Longwood House, where Napoleon died, were sold at auction.

The public has responded to the novelty. It is not dancing its way into it, but it is buying. Segura's \$450,000 commode by Pasquier was sold Wednesday. At Didier Aaron, a New Yorker acquired a \$500,000 pair of girandoles in gilded bronze which Hever Aaron dates from around 1765-1770. And a pastel self-portrait by Claude Hoin, best known for his miniatures, will adorn the East Coast home of a connoisseur willing to foot the bill of \$80,000 or so.

Where the decor in which they live is concerned, those with the cash keep buying, even if they tend to look more sharply at what they pay for.

The biggest issue will be painting. While the days of starchy-eyed buying are over, sharpened awareness that, as supplies dwindle, a picture missed may not come back has an impact even in the lower financial strata.

Eric Costaleum of Paris discovered 26 studies in oil on paper in which

John Lishawa, a specialist in landscape painting of that period, recognized the hand of George August Wallis. The Englishman, who exhibited briefly at the Royal Academy in 1785, might have risen to greater fame had he not left for Italy three years later. Clearly influenced by some of the German artists he met there, he developed a thoroughly individualized style in which he produced some gems — from the Roman Campagna view sold to an English collector for 130,000 francs (\$23,215) to the 200,000 franc landscape with the Tiber acquired by an American gallery.

In higher financial slots, Waring Hopkins of Paris, as usual, did well. An \$825,000 franc gouache by Henry Moore went to a European couple. A \$525,000 interior scene by Vuillard had already left the stand, and a \$500,000 Maurice de Vlaminck was bound for New York. He was lucky. He got away with shouting a huge painting by Balbus, of a very young girl lying in the nude, legs apart, which struck many as outrageous.

The bigger transactions will take weeks. There should not be any problems — whether this concerns the masterpieces in a minor key such as Zuccarelli's ferociously lucid self-portrait in wash over pencil at Yves Mikaeloff's, or a delicate Venetian view in pen and ink by Francesco Guardi at Colnaghi's, or the museum pieces to be seen here and there.

B RAME & Lorenceau bung on their stand the most beautiful landscape by Theodore Rousseau I remember seeing on the market, and it would be hard to come up with a much better transitional Monet than the Zaandam view of 1871 displayed by Philippe Cazeau and Jacques de la Berandiere. Emanuel Schmit of Paris chose just the right life of apples if he meant to prove that Gustave Caillebotte was not simply a rich man eager to help the Impressionists whom he so admired, but a greater painter than is acknowledged.

The desire to buy in the public is borne out, if it needs to be, by a story told by Robert Stoppenbach at Delestre & Stoppenbach of London. A collector who had seen their Impressionist view by Victor Vignon and could not remember their name rang the fair organizers from his distant home in the provinces describing the picture and the route he had followed at the fair. Was it still available? It was. Stoppenbach & Delestre would not sell it until he had seen it again. As long as collectors like him are around, the market will be in good shape.

TITLE MATCHES By Randolph Ross

ACROSS	DOWN
1 Playwright	72 Frequent
3 Norman	73 Challenge,
7 1943 Bogart film	74 metaphorically
13 Where suits are	76 He should have
20 Colorless	77 "Postcards
21 Canadensis and	78 From the Edge"
22 Canuck	79 Certain fighter
23 He should have	80 Cooper pic
written "What	81 Canadensis or
Makes Sammy	82 Canuck
Rum"	83 Crash locale in
25 TV role for	"Aster"
Penny	84 V-chips block it
26 Kind of chance	85 Strong
27 Suffix with	86 objections
human	87 Coflex
28 Toot	88 72-Across
29 Fork-tailed bird	recommenda-
31 He should have	89 José or Juan
written "Fear of	90 Kind of collar
Flying	91 Where Jimmy
35 Handle, as	after his
insurance	Presidency
claims	92 Nosebleed seats
38 Like some	93 She should have
heads	written "On the
39 Explorer Vasco	Beach"
da —	94 Lorelei Lee's
40 — Lobos	creator
43 Spring	95 Communicate
44 Nagsua	96 U.S.N.A. grad
45 Sight at post	97 Place of dust
offices	104 Gang of Four
47 Robbins and	members
Russett	106 He should have
48 "Yikes!"	written "Love
51 — ve	Story"
52 What candles	41 Song of the past
may signify	42 View à la
53 He should have	Shakespeare
written "Green	44 They have their
Eggs and Ham"	own lines
56 Social reformer	45 Telephone user
Jacob	46 Moon of
57 O.R. workers	Neptune
58 Erskine	47 Fades
Caldwell rate	48 Square dance
character	partner
59 Scamman's	74 Ford predecessor
description	77 Sea —
60 Start	78 Little Richard's
62 Blade	hometown
63 Tommy	81 Mentions
Dorsey's "—	84 It gets a kicking
Always You"	86 On the schedule
65 Seares	87 Wes, to Burns
66 Wanted	88 Tree trauma
68 Rancher's	89 Six member,
enemy	during the time
70 Study	of Christ

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Solution to Puzzle of Sept. 19-20

TRUTH

Four Stories I Am Finally Old Enough to Tell

By Ellen Douglas. 221 pages.
\$18.95. Algonquin.

Reviewed by
Jonathan Yardley

ELLEN DOUGLAS, as for years has been commonly known among readers of Southern fiction, is the pen name of Josephine Haxton, a lifelong Mississippian now in her late seventies. The pen name was chosen nearly four decades ago for her first novel, "A Family's Affairs," because the work was "based very closely on the lives of

my two aunts, very private ladies who would take a dim view of having that privacy violated in a book that anybody might buy and read."

Thus her aunts' reticence combined with the author's innate good manners to produce an alias that, once chosen, Haxton/Douglas has stayed with. In her career she has published eight novels, including "The Rock Cried Out," "Apostles of Light," and "A Lifetime Burning." These have often dealt with relations between Southern blacks and whites and have generally been enthusiastically received, not so much for the correctness of Douglas's views but because of the sensitivity and wisdom with which she treats the subject.

Until now Douglas has always written fiction, not least because, as she says in this new book, novelists have "a free hand." She says this in the course of ruminating about "the torture and excruciations of 30 or more slaves" in 1851 in Missis-

sippi's Adams County. The slaves were alleged to have planned an "uprising to coincide with the imminent coming of Mr. Lincoln and the Yankees," an apprehension that seems — documentary evidence is fairly slender — to have been unfounded. But it is known that the violence occurred and that some of Douglas's forebears were involved in it.

So here we have an event recorded, however incompletely, in history, one that seems to cry out for explanation and that touches deep, painful places in the heart and soul of this writer.

She writes about this quest in "On Second Creek," the last of the autobiographical essays in "Truth: Four Stories I Am Finally Old Enough to Tell." Each deals in its different fashion with this question of fact and fiction and each deals, in one way or another, with death.

In many respects, the best essay is "Haxton," in which Douglas writes about a dig-

nified, quietly angry black man who worked for her family for more than two decades beginning in 1931. She finds, in his own story and its meaning for her, important lessons: "As I grow older, the past is an increasing weight in my balance scale of my life, and the present lighter, more ephemeral. The dust of the present blows away, the past grows more real, heavier. . . . But although I call up these memories, I have reservations. I know that I put words in the mouths of people who did not speak them. I imagine scenes at which I was not present. I know that this is my world and no one else's — my stories, my history. Or myth, perhaps, one among the myths that form the lives of families and sometimes of larger worlds."

It is, in any event, a lovely book but a small and somewhat enigmatic one, though not the best introduction to her work. For that, any of her novels will more than suffice.

New York Times Service

Chinese Furniture

HERMA HISTORI

SALES

Israeli and International

Important Judaica

SOTHEBY'S

AUCTION 56

IN FRANCE

DROUOT RICHELIEU

Wednesday October 7, 1998

Thursday October 11, 1998

Friday October 15, 1998

Sunday October 18, 1998

Monday October 22, 1998

Tuesday October 26, 1998

Wednesday October 29, 1998

Thursday November 2, 1998

Friday November 5, 1998

Saturday November 7, 1998

Sunday November 9, 1998

Monday November 12, 1998

Tuesday November 14, 1998

Wednesday November 16, 1998

Thursday November 19, 1998

Friday November 23, 1998

Saturday November 25, 1998

Sunday November 27, 1998

Monday November 30, 1998

Tuesday December 2, 1998

Wednesday December 5, 1998

Thursday December 7, 1998

Friday December 9, 1998

Saturday December 12, 1998

Sunday December 14, 1998

Monday December 17, 1998

Tuesday December 19, 1998

Wednesday December 22, 1998

Thursday December 24, 1998

Friday December 26, 1998

Saturday December 29, 1998

Sunday December 31, 1998

ART

Chinese Furniture in 'Context'

By Rita Reif
New York Times Service

MINNEAPOLIS — Bruce Dayton, a longtime trustee at the Minneapolis Institute of Arts, is a nudger and risk taker. In running Dayton-Hudson Corp., the retailing giant that his grandfather founded in 1902, he was known as a man who said little, relying on firm but gentle prodding to get people to do what he wanted.

Two years ago, Dayton nudged Robert Jacobsen, the museum's curator of Asian art. The two men were looking over the 75 pieces of Ming and Qing furniture that Dayton and his wife, Ruth, had bought and given to the museum since 1991. Construction of its expanded galleries was beginning, and Dayton and Jacobsen were discussing ways that the furniture could be exhibited.

"Bruce always thinks about how things will look in the museum," Jacobsen said. "So he asked me about how the furniture would be shown, saying, 'Can't there be some context?'"

The result will be seen in two period rooms that are the centerpiece of the Asian art complex, part of the museum's expanded galleries, which will have their grand opening Sunday.

Initially, the men talked about making a replica of a

period room. Then Jacobsen proposed an alternative. "It's a long shot, but let me go to China and find an authentic period room, an all-purpose space like a reception hall," he said.

Architectural elements from Chinese buildings were showing up at that time in antiques galleries from Hong Kong to New York and London. But no one had brought a room or house out of China in more than 50 years.

Backed by Dayton, who said such a trip might be risky and costly but was worth the gamble, Jacobsen flew to Shanghai and traveled west to Suzhou near Lake Tai. It was in that area that the literati style of furnishings flourished among the elite in the late Ming period, when men preferred to write music and poetry rather than go to war.

After inspecting seven structures in five villages, Jacobsen flew back to report his findings to Dayton. He and Jacobsen decided which structures would be most appropriate for the museum, and Dayton bought two: a 17th-century house with a soaring reception hall, graced by a glorious carved ceiling, and an 18th-century lattice-framed scholar's studio with an adjoining garden.

"I never thought we'd find a room you could prove was a library or scholar's studio," Jacobsen said. "The one we bought was storing iron pipes

and beehives, but it had its own plaque, dated 1797, and an inscription on a beam that described the room as 'the studio of gratifying discourse.'"

A year ago, a crew of 13 Chinese artisans spent five weeks dismantling the two structures. Last winter, after the parts were cleaned and repaired, they were shipped here. And in April, four of the workmen who had disassembled the structures were flown in from China to reassemble them at the museum, a three-month task.

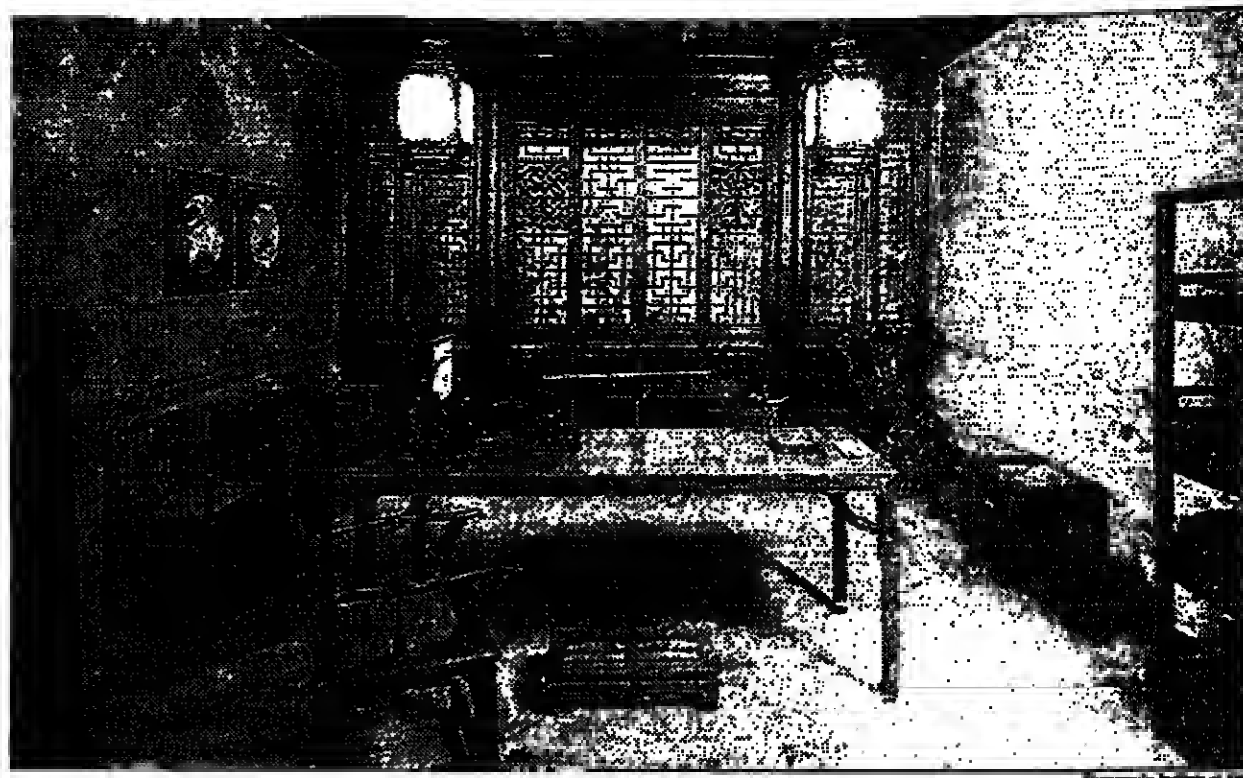
"Our timing in pursuing rooms was sheer luck," Jacobsen said. Until the 1990s, when the shift to private ownership began in China, the Communist government had forbidden the export of houses and rooms. Other American buyers have followed suit.

Dayton had never bought

antique furniture until he gave the museum his first Chinese pieces — a scholar's cabinet and a pair of chairs, all Ming. Chinese furniture had struck a chord with him: the plain surfaces and stark silhouettes, the high backs on chairs, the legginess of lean, long tables, and the practicality of folding chairs. They seemed akin to Bauhaus designs and the Mondrian paintings he collected.

Dayton paid the costs to buy the structures, dismantle, ship and reassemble them — a total of \$1 million. The 75 pieces of Ming and Qing furniture cost 10 times that.

The Dayton's generosity, Jacobsen said, cut through a lot of red tape. "If we would have gone through an accessions committee, piece by piece, these Chinese galleries never would have happened," he said. "We were able to act quickly."



The 18th-century Chinese scholar's study acquired by the Minneapolis Institute of Arts.

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VIENNA: SPOTLIGHT ON THE EURO

COUNTDOWN TO EURO LAUNCH

A smooth debut is a heavy responsibility for the Austrian EU presidency.

Euro-Day is looming. On Jan. 1, 1999, the majority of European Union member countries will introduce the euro as an accounting unit as the first step toward dropping their own marks, francs, schillings and other national currencies three years down the line. Just how smoothly this transition to a single currency will be accomplished depends to a great extent on decisions being reached during Austria's current six-month presidency of the European Council.



Vienna's Hofburg, which leads to St. Michael's Square and the Hofburg Palace.

All systems go. Rudolf Edlinger, the Austrian finance minister is the chairman of the ECOFIN Council of all 15 EU economics and finance ministers. He is confident that everything will go according to plan. "The common currency has been very well prepared," he says, "and as far as can be foreseen the markets will not encounter any problems." Bilateral exchange rates among the 11 participating members were fixed on May 2, 1998, and the national currencies will be brought into a definitive

relationship with the euro on Dec. 31, 1998. On Friday, the Euro-11 Group, made up of finance ministers from the countries taking part in Economic and Monetary Union, met to discuss such matters as who should represent the euro-currency area in transactions with external organizations such as the International Monetary Fund. Should it be the current EU presidency's finance minister, irrespective of whether the latter's country is among the 11? This politically loaded question could easily give rise to tension in the newborn euro structure, and it is of the utmost importance that an environment of confidence in the EU's single currency should be created from the very start.

Final checklist

On ECOFIN's agenda is a less controversial but far more intricate matter. The finance ministers, the president of the European Central Bank, the governors of members' central banks and the European Commission will have to settle the technical modalities for the euro's debut, including exactly how the euro will be launched and how its definitive exchange rate will be settled.

Since at least 500 journalists from all over the EU and overseas will be reporting on this informal ECOFIN gathering in Vienna, the host country is at pains to ensure they have every possible facility at their disposal in the press center located in the Festival Hall of the Hofburg Palace, a history-drenched setting for reporting on a turning point in European, and perhaps world, history. ■

TAX COORDINATION OR COMPETITION?

In the following interview, Finance Minister Rudolf Edlinger of Austria discusses the issues facing him and his EU counterparts as they meet in Vienna.

The finance ministers of the member-states of the European Union are currently meeting in Vienna. As finance minister of the country holding the EU presidency and as host, what are your priorities for discussion?

First, there is the final transition phase to the euro, which we want to complete without irritation. Then there is Agenda 2000 [the European Union's plan to admit applicant countries in Central and Eastern Europe], work on which will have to be completed in time for submission to the European Parliament in Spring 1999. I want to have a debate, from the political as well as from the technical point of view, on tax coordination. And there is also the highly political matter of employment policies in the EU, because the present figure of 11 percent jobless (18 million persons in all) represents a

severe impediment to full realization of European union. Isn't this list of topics rather ambitious for Austria's half-year in the EU presidency?

No, that is not the point. Each successive presidency picks up the work which has been in progress during the previous one and also establishes themes looking forward to the next incumbent, in this case Germany. My proposal for tax coordination, for instance, could not possibly be completed within six months.

With respect to the euro, do you anticipate tension between the 11 "in" member countries and the four "outs"?

Not really, because we agreed from the start that economic coordination would be a major concern of Economic and Monetary Union, in consultation with the



Rudolf Edlinger (right), finance minister of Austria, with his predecessor as president of the ECOFIN ministerial council, Gordon Brown, Great Britain's chancellor of the Exchequer.

European Central Bank, and that we, the "ins," should maintain complete transparency with what I prefer to call the four "pre-ins." That is why Euro-11 [the group of finance ministers of the countries in EMU] has decided to meet at least once during every presidency with the "pre-ins" to settle any differences.

The idea of aligning tax policies in the European Union has encountered skepticism from several members, since it is seen to imply unified tax levels throughout the Union. What is your argument in favor?

Think of it perhaps rather as "tax coordination," a question that will gain in importance when the common currency is established and unbalanced competitiveness could occur as a result of [national] tax legislation. A fine line must be drawn to establish how individual member countries can remain competitive on international markets as well as against each other. This, in its turn, will have a major effect on employment policies and vice versa, because developments in the last 11 to 12 years in countries of the European Union have led to permanently increasing tax-

ation levels for workers. The result is that we have a relatively high tax burden on labor.

Taxation on labor earnings has risen in this period by 7 percent, whereas on capital it has decreased by 10 percent. This means finding new bases for taxation. It is difficult because the circumstances in various countries are completely different. Competition would be totally distorted, for instance, if energy taxation were introduced in one country and not in another. That is what I mean by coordination.

Will a packaged financial solution be prepared at this informal ECOFIN meeting for presentation to the European Council in December 1998?

We will have to make progress in Vienna. My intention is to investigate which taxes in which parts of the EU cause competition problems so that we can reach conclusions at a completely unemotional level.

Tax coordination is a lengthy process. It takes a minimum of one and a half years at single-nation level to introduce a tax reform, so you can imagine how long this will take if 15 countries are involved. ■

During the AUSTRIAN PRESIDENCY of the EUROPEAN UNION,

from JULY to DECEMBER 1998,

VIENNA is hosting meetings



economists and government

officials with responsibility

for areas ranging from the

family and sports to telecoms

and budget policy.

On September 25-27,

Rudolf Edlinger, Austria's

minister of finance,

welcomes his EU

counterparts to

continue their

work leading

up to the intro-

duction of a

single European

currency.



BUILDING REGIONAL URBAN NETWORKS

Vienna seeks to emphasize the contributions of cities to social and economic cohesion in Europe.

During the latter half of 1998, Vienna has a double claim to be considered a principal European city. Not only is it the seat of the European Union presidency, but it is also currently the home of the Union of the Capitals of Europe.

At the invitation of Michael Häupl, the mayor of Vienna, the mayors of all the EU capitals will be coming together at the beginning of October to discuss "The Urban Policy of the EU." Special invitations have also been extended to representatives of the EU applicants' capitals, Budapest, Ljubljana, Nicosia, Prague, Tallinn and Warsaw, as well as to the mayor of Bratislava in Slovakia, Austria's only eastern neighbor not included in the list of EU candidates so far.

Mr. Häupl, the present spokesman for the UCUE, is also executive president of the Council of Local Authorities and Regions of Europe, a body that transcends the borders of the European Union.

Mr. Häupl plans to seize the opportunity of the autumn meeting to proclaim and propagate some of his ideas regarding social policy. In particular, he says, he will stand up for the needs of his citizens on the international stage.



The flags of the European Union and Austria at Vienna's Heroes Square on July 1, the first day of Austria's EU presidency.

Focus on employment

"Above all, we want to use our active role within the network of cities to focus everyone's attention on employment policies as the main issue. For this, it is necessary to build European networks. I will do everything to see that Vienna is at the hub of this cooperation."

Amid the plethora of intercity and interregional committees, working groups and other bodies, the UCUE stands out as a forceful platform for persuading the European Union to support the capitals in fulfilling their functions, so that the enormous economic, social and cultural momentum generated by the cities may be used both to foster social and economic cohesion in Europe and to increase European competitiveness at every level.

The importance of cities

In its activities connected with the presidency, Vienna is accordingly stressing the importance that urban conglomerations have in the European Union. At the same time, it is presenting itself as a very lively, modern city, with a certain ulterior motive: to convince Brussels that urban areas should qualify for generous EU assistance. Good urban management is an expensive undertaking that benefits large numbers of people and is worthy of support.

To demonstrate this to the public at large, Vienna has arranged a number of conferences dealing especially with the effects closer union among European countries is likely to have on big cities. One of the main events will be an "Urban Forum," to be run jointly by the European Commission and the City of Vienna. This will be the first EU conference to examine the interacting problems of urban policy and the Union.

Coinciding with the UCUE meeting, the URBAN Community Initiative to revitalize rundown urban areas will be launched on Oct. 1-2. In Vienna, the project chosen will promote business activities and improve housing in the outer ring-road "Gürtel area." ■

CALENDAR

HAPPENINGS IN VIENNA

During the Austrian presidency of the European Union, Vienna is hosting a number of meetings of EU officials, and the city has adapted the agendas of many of its own upcoming international meetings, conferences and forums to align them with those of Austria's presidency.

— Oct. 1-2 —

Conference on the Community Initiative URBAN: The meeting will focus on fostering exchange and networking among the cities taking part in URBAN. Topics will include economic urban renewal, public participation and methods of evaluating policy.

— Oct. 1-3 —

UCUE Conference: Mayors of European capitals will attend this meeting of the Union of the Capitals of the European Union.

— Oct. 29-30 —

Informal Meeting of EU Justice and Interior Ministers: Among issues to be addressed are the implementation of an action plan to combat organized crime and the formulation of a comprehensive European migration strategy.

— Nov. 3-4 —

Ministerial Conference of the European Union with the Southern African Development Community: The conference is part of an ongoing dialogue with 14 countries in the region aspiring to a continent-wide "African Renaissance" of political stability and economic advancement. Other issues include drugs, anti-personnel mines and AIDS.

— Nov. 5-6 —

Drug Prevention and Drug Policy: The conference, organized by the City of Vienna, with the European Commission and the UN Drug Control Program, aims to provide a new impulse toward an innovative Europe-wide drug abuse prevention policy.

— Nov. 26-27 —

Urban Forum City Conference: The main conference and workshops will address areas such as productivity and employment in cities, integration policies, sustainable urban development and regional development.

— Dec. 7-11 —

Preparatory Commission for the Comprehensive Nuclear Test-Ban Treaty Organization: "PrepCom" is engaged in creating a worldwide, 321-station monitoring system feeding all data received to a technical evaluation center in Vienna.

— Dec. 11-12 —

European Council Summit Meeting: Coming near the end of Austria's six-month EU presidency, the occasion unites all EU heads of government and the president of the European Commission. Topics are not revealed in advance, but it is expected that the imminent introduction of the euro will feature prominently.

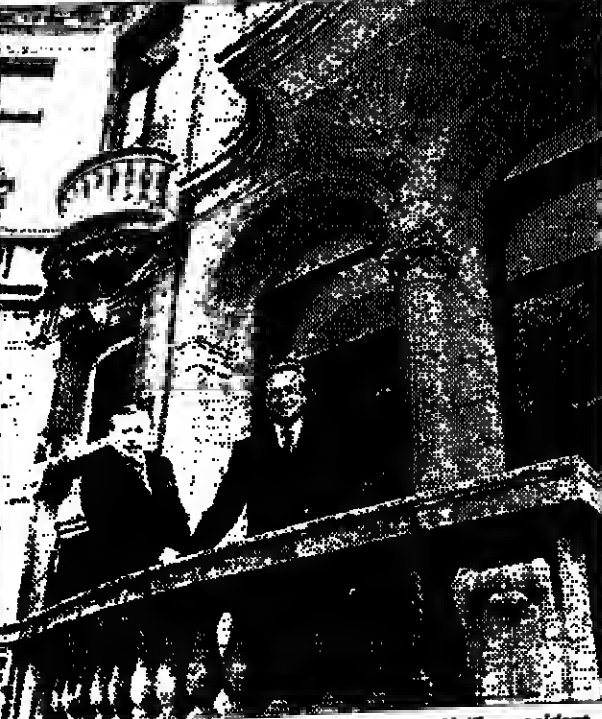
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Michael Häupl (left), mayor of Vienna, with Walter Noll, president of the Vienna Chamber of Commerce, on the balcony of the Vienna House, the city's permanent representation at European Union headquarters in Brussels.

"VIENNA: SPOTLIGHT ON THE EURO"

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On the Front Line of the Global Financial Crisis

Is the World Bank
Just a 'Cash Machine'
For Emergency Aid?

By Paul Blustein
Washington Post Service

WASHINGTON — Pumping billions of dollars into international rescue packages for crisis-stricken economies is hardly the customary role of the World Bank, which traditionally specializes in anti-poverty lending to foster long-term development in the Third World.

But these are extraordinary times — as the bank's annual report makes clear. The report, released Thursday, shows how the global financial crisis has caused the bank to move beyond its focus on funding individual projects such as roads, irrigation systems and health and nutrition programs in developing countries.

Some analysts say the World Bank is starting to look like something of a cash machine for international bailouts because the International Monetary Fund — the main source of short-term loans to countries in financial distress — is running low on funds.

The two institutions, whose headquarters are in Washington, are controlled by their largest contributors, the governments of the United States and other industrial nations.

Not only did the bank pledge a record \$28.6 billion in loans in the year ended June 30 — up nearly 50 percent from the previous year, with the biggest share of the money going to the troubled East Asia and Pacific region — but

The World Bank in Profile

Structure: Comprises five organizations, including the International Bank for Reconstruction and Development and the International Development Association.

Provides: Loans, technical assistance, policy guidance to developing countries to reduce poverty and improve living standards.

Established: July 1944, at a United Nations conference in Bretton Woods, New Hampshire. Opened for business June 1946.

Employees: About 10,000

President: James D. Wolfensohn

Right: The bank's headquarters in Washington.

Source: World Bank Group

more important, the bank's mix of loans has changed drastically because of its contributions to rescue packages for countries suffering massive outflows of capital.

Nearly two-fifths of all the bank's lending in the last year consisted of "structural adjustment" loans, which are disbursed faster than traditional project loans and provide countries with funds that can be used for broad purposes in easing the effects of crises, such as paying for essential imports.

That's a huge increase from 1997 and 1996, when such loans accounted for 9 percent and 2 percent, respectively, of total lending. The biggest recipient was South Korea, which — at the brink of default last December — was promised as much as \$10 billion in World Bank loans as part of an in-

ternational rescue package totaling almost \$60 billion.

In his foreword to the annual report, the World Bank's president, James Wolfensohn, wrote that the financial crisis in East Asia "has highlighted the fact that financial and social policy must go hand in hand."

Morris Goldstein, a former IMF official who is now a scholar at the Institute for International Economics, said, "As the crisis unfolds, lenders have gotten lower in funding, and as demands for assistance have gone up, the World Bank has been called in to serve in a role beyond its traditional mandate."

Bank officials bridle at suggestions that their role is becoming blurred with that of the IMF, arguing that crisis lending is a logical extension of the bank's chief mission of fighting poverty. The

Where loans went in 1998

Fiscal year through June 30, in billions of dollars

East Asia/Pacific \$9.62

Latin America 6.04

Europe/Cent. Asia 5.22

South Asia 3.88

Sub-Saharan Africa 2.87

Middle East/N. Africa 0.96

and Caribbean

Total World Bank loan commitments, \$ billions

Structural adjustment loans, \$ billions

As a % of total loans

Source: World Bank Group

IMF Lashes Out at Russian and U.S. Pressure

By David E. Sanger
New York Times Service

WASHINGTON — A senior official of the International Monetary Fund has warned that he will neither submit to the "blackmail" of Russian leaders who threaten national default if they are not given billions of dollars in new aid nor allow Congress to impose conditions on the Fund in return for \$14 billion in new contributions from the United States.

The comments came as the IMF faced the most intense criticism of its 53-year history, accused of mismanaging the spreading global financial crisis and misjudging the political effects of its prescriptions.

But the senior official, who asked out

to be identified by name, conceded no mistakes on the part of the institution during his 90-minute breakfast with a large group of reporters Thursday morning in the Fund's dining rooms.

While he conceded that the world economy was "in a mess," he insisted that it would not "fall into a world recession" in the coming months. He also made clear that a huge "contingency fund" now being assembled for Latin America — chiefly to support Brazil — would require direct contributions from major economic powers around the globe, including the United States.

So far, President Bill Clinton's administration has refused to publicly discuss whether it would agree to commit

U.S. money to stabilize one of the United States' largest trading partners.

Any such move would have echoes of the 1995 bailout of Mexico, a step that Mr. Clinton made in defiance of Congress, which overwhelmingly opposed the loans. Although Mexico fully repaid the full \$12 billion loan, administration officials are leery about repeating the experience, especially when Mr. Clinton is conserving every vote he can in Congress to ward off impeachment threats.

The IMF official noted that the government of Brazil's president, Fernando Henrique Cardoso, who faces a national election in 10 days, had made no "formal" request for aid.

See IMF, Page 17

Hedge Fund Meltdown: A Saga of Bad Bets and Jittery Markets

By Peter Truell
New York Times Service

NEW YORK — When Salomon Brothers, the swashbuckling Wall Street firm of the 1980s, was raking in the money — hundreds of millions, even billions, of dollars — investors would grin at one another and say, "J.M.'s done it again."

"J.M." is John Meriwether, who, with a small and intensely loyal band of colleagues, turned vast profits by using complex trading strategies and huge amounts of capital to exploit price discrepancies in the world's bond markets.

Now, in perhaps the clearest sign to date of the current fragile state of global financial markets, Mr. Meriwether's latest bubble has burst. No longer at Salomon, he — still pursuing his secretive strategies — is at the center of a \$90 billion storm, a storm that led to this week's \$3.7 billion bailout of his hedge fund orchestrated by the Federal Reserve Bank of New York.

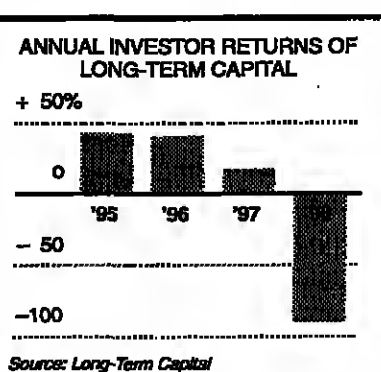
Those who put up the cash for this bailout — who included such illustrious investment names as Merrill Lynch, J.P. Morgan, Deutsche Bank, UBS, Morgan Stanley Dean Witter, Goldman Sachs and Chase Manhattan — in return got 90 percent of Meriwether's company, Long-Term Capital Management of Greenwich, Connecticut.

Hardest hit are Mr. Meriwether, 51, and his colleagues. At the end of 1997, the nearly 200 employees of Long-Term Capital held about 30 percent — or \$690 million — of the hedge fund's \$2.3 billion in capital, said Peter Rosenthal, a spokesman for the firm. Most of that was held by Mr. Meriwether and his dozen or so partners.

He and his colleagues have seen most of their wealth evaporate in a few weeks. With their stake slashed to about 3 percent of the newly capitalized company, the employees have seen their holdings shrivel to, at best, a little more than \$100 million. Even that could dwindle quickly unless the markets turn in their favor.

According to some people familiar with the company, several junior employees had borrowed to finance their holdings. Not long ago, Mr. Meriwether and his colleagues were among the most favored managers of hedge funds, those unregulated pools of capital that seek to offer high returns of return untrammelled by small investors. The elite partners of Long-Term Capital include Myron Scholes, 57, and Robert Merton, 54, both Nobel laureates in economics; David Mullins Jr., 52, a former deputy chairman of the Federal Reserve Board; and Eric Rosenfeld and Lawrence Hildebrand, former Salomon bond specialists.

Now, regulators will spend months debating how to protect financial mar-



Source: Long-Term Capital

kets from hedge funds. In early 1994, Mr. Meriwether — who left Salomon after one of his traders submitted false bids at Treasury auctions — turned to raising capital for his new venture. Many of the world's richest and supposedly smartest investors flocked to his doors, giving him \$1.25 billion, then a record sum for a new hedge fund. The list of investors — minimum stake, \$10 million — included Banque Paribas, the private Swiss bank, a PaineWebber management compensation plan and the Bank of China, China's central bank.

Several of Mr. Meriwether's investors complained vociferously when, at the end of 1997, he and his partners yielded on paying back about \$2.7 bil-

lion of their capital, saying the markets had become trickier. They returned all the money that had been invested after Dec. 31, 1994, and all investment profits made before that date. Those investors "are feeling extraordinarily lucky and happy" now, said Antoine Bernheim, president of Dome Capital Management, a New York-based company that compiles data on hedge funds.

How could some of the world's best-known bond investors, and some of its most famous economists and mathematicians, get crushed so quickly? The partners are not talking publicly. But sifting through the wreckage, a familiar theme emerges. It is a story as old as the history of financial debacles: a gradual loss of confidence eventually cascading into a full-scale rout. As the summer wore on, financial markets became increasingly concerned about risk, particularly after Russia defaulted on billions of dollars of its obligations.

The financial institutions involved with Long-Term Capital — whether lending it money, investing in it or clearing its trades — started getting nervous. They gradually came to believe that the ambitious financiers at the fund might not have enough money to support their complex network of obligations in the world's markets, mainly in three areas: mortgage bonds, European government bonds and bonds issued by Russia and

other developing countries. The fund also had bet that interest rates would rise in the U.S. Treasury market.

Events were playing havoc with Long-Term Capital's strategies, causing the world's increasingly nervous investors to rush to high-quality securities such as U.S. Treasury bonds and German government bonds.

Long-Term Capital, according to Wall Streeters familiar with aspects of its business, had made heavy bets that interest rates throughout Europe would move closer together as many of its nations moved toward monetary union. With investors suddenly more eager to buy Deutsche mark bonds, the "spread" between German and, say, Italian government bonds widened rapidly — precisely the event that the fund had bet against.

"There was a perception that there was not enough of an equity cushion underneath the positions," said a person familiar with the fund's business. "Very often in these markets, perception becomes reality."

But some investors may not have lost money even after this meltdown, Mr. Rosenthal said. Assuming an investor put in money only at the fund's inception in 1994 and took all the profits paid out through the end of last year, that investor would still have made a return of about 17 percent, he said, citing calculations by executives at the fund's offices.

Finance Dispute Hits Primakov's Cabinet

Shokhin, Key Centrist, Says He's Resigning

By David Hoffman
Washington Post Service

MOSCOW — A leader of the centrists in the new government of Prime Minister Yevgeni Primakov abruptly threw in the towel Friday after less than two weeks on the job, casting yet another cloud over faltering attempts to stabilize Russia's economy.

Alexander Shokhin, who was deputy prime minister for finance, said he had decided to abandon the government because of Mr. Primakov's decision, announced earlier Friday, to reappoint the incumbent finance minister, Mikhail Zadornov, a reformist former legislator.

Mr. Shokhin said he wanted Mr. Zadornov dumped because he participated in the decision made Aug. 17 to devalue the ruble that set off the latest economic crisis.

The devaluation was accompanied by a default on domestic bonds and a moratorium on paying foreign creditors. Mr. Shokhin complained that Mr. Zadornov was among those "who have already deceived the country by declaring it bankrupt in an especially cynical manner."

Hours after Mr. Shokhin's announcement, the Primakov government was hit by another departure, that of Dmitri Vasilyev, head of the Federal Securities Commission.

He, too, cited the Zadornov reappointment in a statement confirming his departure.

Mr. Vasilyev, who was in charge of regulating Russia's stock markets, was close to the economic reformers, such as Anatoli Chubais, who have come under fire for the turbulent aftermath of the ruble devaluation.

Among other problems, Russia's stock market Friday reached a new bottom, falling to the level at which it first opened in August 1995.

The resignations appear certain to deepen uncertainty about Mr. Primakov's government, which has been slow to take shape and has been characterized by sharply differing ideological camps, including Soviet-era economic planners as well as market-oriented reformers.

Mr. Primakov, who has yet to outline a blueprint for dealing with Russia's economic turmoil, blasted Mr. Shokhin's decision in a statement as "capricious" and "irresponsible."

On Thursday, Mr. Primakov announced at a cabinet meeting that the Aug. 17 devaluation decision had been

taken without the "advice or sanction" of President Boris Yeltsin. The Kremlin said Friday that the Russian president had known of the decision, although not the "scale" of its aftermath.

Mr. Shokhin, 47, had in recent days been leading tense negotiations with Western creditors over Russia's default on its internal debts. Only Friday, Mr. Shokhin headed a delegation meeting with the International Monetary Fund.

Mr. Shokhin was also the leading centrist in the cabinet. In resigning, Mr. Shokhin said, "It is very difficult to negotiate with investors and creditors when the key government posts are held by liars."

A veteran of reform-era governments after the Soviet collapse, Mr. Shokhin was a leader of Our Home Is Russia, the bloc in Parliament founded by former Prime Minister Viktor Chernomyrdin.

The group voted for Mr. Primakov's appointment, but another leader of the

See RUSSIA, Page 15

Marketing And Bottling To Be Split At PepsiCo

The Associated Press

NEW YORK — PepsiCo Inc. said Friday it would divide its North American soft-drink business into separate bottling and marketing divisions and named its top beverage executive to head the new bottling unit.

The moves came as PepsiCo's board continued to examine the possibility of selling a substantial share of the North American bottling business to the public. It disclosed in July that it was looking at that option, but a spokesman said no decision had been reached.

If it proceeds with the sale of stock in the bottling unit, PepsiCo would be adopting a structure similar to that of its main soft-drink rival, the industry leader Coca-Cola Co.

PepsiCo, America's second-biggest soft drink company, says the separation will make it more competitive and more responsive to retail customers regardless of whether it sells stock in the bottling business.

Craig Weatherup, a 24-year veteran who has been chairman and chief executive of the global Pepsi-Cola soft-drink business since 1996, will be chairman of the new Pepsi Bottling Group, reporting to PepsiCo's chairman and chief executive officer, Roger Enrico.

The bottling division will comprise all of PepsiCo's company-owned bottling operations in the United States and Canada. Those operations currently account for about 57 percent of the Pepsi soft drinks sold in the United States and 75 percent of those sold in Canada.

Pepsi's stock fell 56.25 cents to close at \$30.4375.

Coke's Earnings Fall Short

Coca-Cola, the world's largest beverage company, forecast lower-than-expected earnings for the rest of 1998 as sales slowed because of currency and economic troubles in Asia, Latin America and Eastern Europe, Bloomberg News reported from Atlanta.

Coke estimated third-quarter earnings at 35 cents a share, flat with its profit a year earlier before gains from bottling transactions. The company had been expected to earn 39 cents a share. Its shares, which have lost \$80 billion in market value in two months, fell 43.75 cents to \$56.25.

CURRENCY & INTEREST RATES

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WALL STREET WATCH

Internet Auction House Wakes Up IPO Market

By Saul Hansell
New York Times Service

NEW YORK — Now we know what it takes to shake Wall Street's initial-public-offering blues: Beanie Babies, and lots of them.

In the first IPO in nearly a month, shares of Ebay, an Internet auction house, jumped from the offering price of \$18 to close at \$47.375 Thursday, on their first day of trading. That price gave the company a market capitalization of \$1.9 billion.

In late trading Friday, the shares had slipped slightly to \$45.3125.

Ebay charges sellers 25 cents to \$2.50 to list their items, and it collects a commission of between 1.25 percent and 5 percent on completed sales.

"Their business model is great," said Mary Meeker, an Internet stock analyst at Morgan Stanley Dean Witter. She said she liked the company because it was attracting a large and growing audience and sales volume and its costs were low.

Ebay even turns a small profit, a rarity among Internet companies.

Ms. Meeker suggested that the company's market potential was huge, as people spend \$17 billion a year to buy traditional classified advertising, \$80 billion on auctions and \$103 billion on collectibles.

But some analysts bullish on the Internet are shying away from Ebay.

Mark Basham, investment officer of the small-capitalization-stock service at Standard & Poor's Corp., said he did not believe that Ebay could lift its revenue enough to justify its current valuation. He said Ebay already had potent com-

THE AMERICAS

Hope for U.S. Rate Cut Buys Wall Street

Compiled by Our Staff From Dispatches

NEW YORK — U.S. stocks rose Friday as optimism that the Federal Reserve will cut interest rates next week offset some of the concern that banks would report more losses on investments with hedge funds.

Investors "don't want to carry the same level of cash" as they had before last week, when Fed Chairman Alan Greenspan suggested a rate cut was in store, said Eric Barden, a portfolio manager at First Capital Management Inc. "Some buying is necessary to get into an aggressive posture."

The Dow Jones industrial average was up 26.78 points at 8,028.77 in late trading, rebounding from a 112-point loss.

The Standard & Poor's 500 index gained 2.03 to 1,044.75. The Nasdaq composite index rose 23.25 to 1,743.59.

Lower interest rates are good for borrowers and lenders alike. Borrowers benefit from a drop in interest payments on loans, while the profits of lenders gain as companies use loans to finance expansion.

Oil and natural gas producers

gained, helping buoy the market, as Hurricane Georges threatened to disrupt shipping and production in the Gulf of Mexico. Chevron and Mobil posted gains.

Dell Computer rose 2 1/4 to 66 1/16 on optimism that sales growth at the

U.S. STOCKS

biggest direct seller of personal computers would not be slowed by the economic slump in Asia. "They are still seeing strong growth," said analyst Dan Niles of BancBoston.

Some financial shares declined after Credit Suisse Group, UBS AG and Dresdner Bank said they would

write off investments in Long-Term Capital Management LP, a Connecticut-based fund for wealthy investors. The Fed on Wednesday organized an unusual rescue by 14 banks and Wall Street firms.

Chase Manhattan fell 1 1/16 to 45 5/16 and First Chicago NBD dropped 1 1/16 to 7 1/4, among the banks posting losses.

The uncertainty gave support to the bond market, where the benchmark 30-year Treasury bond rose 20/32 to 105 23/32, pushing the yield down to 5.12 percent from 5.16 percent Thursday.

Merck fell 5 7/16 to 131 1/16 after rival Bristol-Myers Squibb said early tests suggested its experiment-

al AIDS drug, a new member of the powerful protease inhibitor class, could be effective when taken once a day. If this proves to be the case in more advanced testing, Bristol-Myers' drug would have an advantage over existing protease inhibitors made by rivals such as Merck.

Triarc, the owner of Snapple beverages and Arby's fast-food restaurants, fell 1 3/16 to 14 1/4 after reporting third-quarter earnings sharply lower than a year earlier.

Olin tumbled 2 1/4 to 26 1/4 after the chemicals maker warned that quarterly and annual earnings would fall short of estimates because of the economic slowdown in Asia.

(Bloomberg, AP)

Stock Decline Hits University Endowments

The Associated Press

BOSTON — Emory University in Atlanta has 60 percent of its \$5 billion endowment fund in Coca-Cola Co. stock, as a result of gifts from the corporation, its Atlanta neighbor. So the recent drop in the stock market — and in shares of Coca-Cola — has not exactly been good news for the university.

Emory, like many other U.S. colleges and universities, has seen the value of its endowment drop by 10 percent as a result of the decline in the stock market.

Coca-Cola has fallen along the way, closing Friday at \$56.25, significantly below its 52-week high of \$68.92.

The Dow Jones industrial average as of late Friday had fallen about 1,250 points since its record close July 17 of 9,337.97.

Along with it fell the richest university endowment in the United

States — Harvard's — which has lost about 10 percent of its \$13 billion endowment since July 1.

Until the recent stock-market gyrations, the 1990s were a golden era for university endowment funds, which grew to more than \$150 billion by the end of 1997.

But now, universities accustomed to double-digit investment returns every year face the harsh reality that endowments can lose money, too.

Endowments — the stocks, cash and real estate that colleges and universities receive as gifts — generate funds for operating expenses and financial aid.

"I'll bet you'll find a lot of people down 10 percent," said Wayne Coon, Emory's chief investment officer.

Emory, however, has no intention of changing its investment strategy, Mr. Coon said, and neither does Kansas University, which had

\$816.7 million in assets as of June 30.

"We tend to be not too awfully concerned about short-term changes in the market," said John Scarffe, spokesman for the Kansas University Endowment Association.

Most universities and colleges, in fact, are not terribly worried about a 10 percent drop, said Todd Petzel, chief investment officer of Common Fund, a not-for-profit investment company for schools, colleges and universities.

"The nice thing is, the trustees understand these are perpetual investments and they shouldn't be worried about short-term volatility," Mr. Petzel said.

He said most endowment funds invest between 60 and 75 percent of their assets in stocks and pointed out that the 10 percent drop in many cases followed three years of compound annual returns of 20 percent.

Cirrus Logic Plans Cuts In Workers

Bloomberg News

SAN FRANCISCO — Cirrus Logic Inc., a struggling U.S.-based maker of computer chips, said Friday that it planned to dismiss about a quarter of its work force and take a \$500 million charge to cover the costs of the move.

The cuts are part of a plan to stop making chips for graphics, personal-computer modems and Internet-access equipment.

Cirrus said it would focus instead on its more profitable chips for computer-disk drives, audio equipment and industrial devices.

Cirrus's shares fell \$1.4375 to close at \$6.0525.

The cuts amount to 400 to 500 of some 800 employees. Most of the cuts will take place in Fremont, California, where Cirrus is based. The company said it would disclose the timing of the charge when it reported second-quarter earnings Oct. 21.

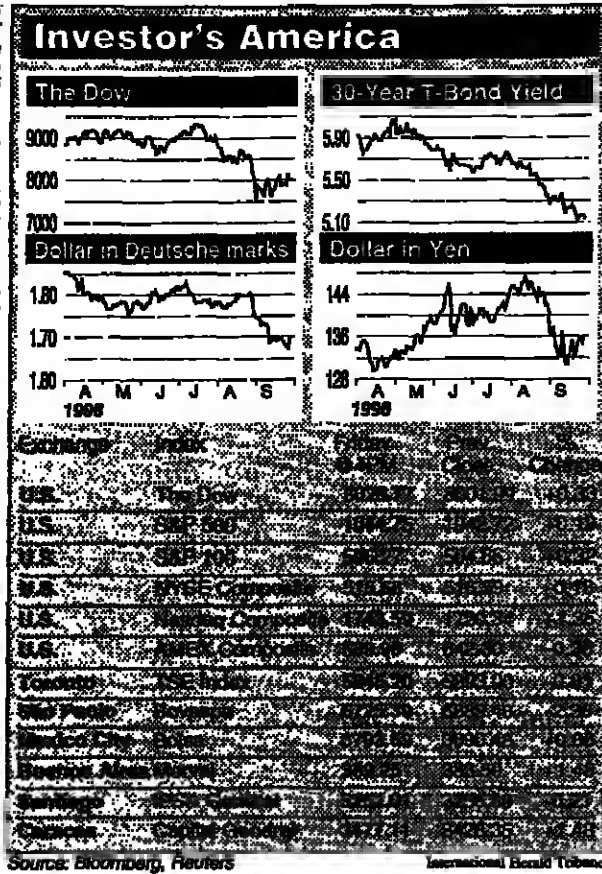
The restructuring was conceived in part by David French, 41, who became president and chief operating officer in July to try to revive Cirrus.

Cirrus, which reported losses for two of the past three years, sacrificed its lead in the once-lucrative market for graphics chips after failing to introduce more advanced products. It suffered further as prices for graphics chips tumbled.

cut interest rates when its policy-making panel met Tuesday.

"Things are bad in emerging markets, and they're now starting to look shaky in the U.S.," said Chuck Spence, a currency salesman at ING Barings. "The Fed may lower rates to make sure the shock around the globe is not as devastating or damaging to the U.S."

Against other currencies, the dollar rose to 5,630 French francs from 5,610 francs Thursday and to 1,387 Swiss francs from 1,385 francs. The pound edged up to \$1.6977 from \$1.6975.



Very briefly:

- Lockheed Martin Corp. won a \$3.44 billion 10-year contract to run NASA's space operations, beating rival Boeing Co. Lockheed Martin will manage all of NASA's data collection, measurement and communications operations supporting its Earth-orbiting satellites, planetary exploration and human space flight.
- U.S. consumer spending jumped 0.6 percent in August to a seasonally adjusted annual rate of \$5.84 trillion after a rare 0.1 percent drop in July, the first in two years.
- Boeing Co. said Deutsche Lufthansa AG has ordered six Boeing MD-11 trijet freighters.
- NationsBank Corp. shareholders voted nearly 3 to 1 to approve a merger with BankAmerica Corp.
- General Electric Co. agreed in principle to spend \$200 million to settle claims it polluted the Housatonic River in Massachusetts and Connecticut with toxic chemicals, the Justice Department announced.
- Microsoft Corp.'s chairman, Bill Gates, got a salary increase of 5.4 percent, to \$368,874, and a bonus of \$173,423 in the 1998 financial year. He also owns \$15.8 million shares of the company, valued at \$56.8 billion.

The Trib Index				
Jan. 1, 1988 = 100	Level	Change	% Change	Year to date % Change
World Index	169.76	-1.93	-1.12	-1.37
Regional Index				
Asia/Pacific	69.60	-1.96	-2.74	-27.55
Europe	200.55	-3.61	-1.77	+3.89
N. America	237.45	+0.09	+0.04	+9.94
S. America	78.12	-0.46	-0.59	-48.83
Industrial Index				
Capital goods	239.36	+3.64	+1.54	+15.87
Consumer goods	210.35	-3.31	-1.55	+0.30
Energy	196.05	+0.70	+0.36	+0.05
Finance	107.28	-3.83	-3.27	-12.77
Miscellaneous	144.76	-3.27	-2.21	-3.42
Raw Materials	160.63	-1.14	-0.70	-3.95
Services	182.47	-2.54	-1.37	+4.68
Utilities	162.85	-1.13	-0.69	-2.41

The International Herald Tribune World Stock Index tracks the U.S. dollar value of 200 internationally investable stocks from 25 countries. Compiled by Bloomberg News.

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Japan 0081-441-0102 Italy 0030-73-9822 Japan 0031-11-8800
Korea 0082-4682 Singapore 0065-2222501 Korea 0082-41-0007
Taiwan 0086-22-7233 USA 001-800-854-8888 UK 0044-20-7200

AMEX

Friday's 4 P.M. Close
The 200 most traded stocks of the day, up to the closing on Wall Street.
The Associated Press.

Stock	High	Low	Last	Chg.
IBM	125.12	124.88	125.00	+0.12
Microsoft	56.12	55.88	56.00	+0.12
Amazon.com	14.12	13.88	14.00	+0.12
Apple	45.12	44.88	45.00	+0.12
Oracle	35.12	34.88	35.00	+0.12
Sun	25.12	24.88	25.00	+0.12
HP	15.12	14.88	15.00	+0.12
Intel	30.12	29.88	30.00	+0.12
Northern Telecom	10.12	9.88	10.00	+0.12
WorldCom	5.12	4.88	5.00	+0.12
Verizon	4.12	3.88	4.00	+0.12
AT&T	3.12	2.88	3.00	+0.12
Qwest	2.12	1.88	2.00	+0.12
Sprint	1.12	0.88	1.00	+0.12
Time Warner	1.12	0.88	1.00	+0.12
News Corp.	1.12	0.88	1.00	+0.12
Disney	1.12	0.88	1.00	+0.12
Walt Disney	1.12	0.88	1.00	+0.12
Paramount	1.12	0.88	1.00	+0.12
Warner Bros.	1.12	0.88	1.00	+0.12
Universal	1.12	0.88	1.00	+0.12
Columbia	1.12	0.88	1.00	+0.12
TriStar	1.12	0.88	1.00	+0.12
MGM	1.12	0.88	1.00	+0.12
United Artists	1.12	0.88	1.00	+0.12
Warner Bros.	1.12	0.88	1.00	+0.12
Universal	1.12	0.88	1.00	+0.12
Columbia	1.12	0.88	1.00	+0.12
TriStar	1.12	0.88	1.00	+0.12
MGM	1.12	0.88	1.00	+0.12
United Artists	1.12	0.88	1.00	+0.12

U.S. Stock Tables Explained

Stock figures are unrounded. Weekly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a stock or stock dividend amounting to 25 percent or more has been paid, the year's high and low range and dividend are shown for the new stock only. Unless otherwise noted, notes of dividends are annual dividends based on the latest declaration.

a - dividend also extra (a).
b - annual rate of dividend plus stock dividend.
c - dividend declared or paid in preceding 12 months.
cc - PE exceeds 99.
cd - called.
d - new yearly rate.
ef - loss in the last 12 months.
f - dividend declared or paid in preceding 12 months.
g - dividend in Canadian funds, subject to 15% non-resident tax.
h - dividend declared after split-up or stock dividend.
i - dividend paid this year, omitted, deferred, or no action taken of late dividend meeting.
k - dividend declared or paid this year, on cumulative basis with dividends in years m - annual rate, reduced to last declaration.
n - current issues in the past 12 months. The high-low range begins with the start of trading.
nl - next day delivery.

p - initial dividend, annual rate unknown.
P/E - price-earnings ratio.
q - closed and traded fund.
r - dividend declared or paid in preceding 12 months, plus stock dividend.
s - stock split. Dividend begins with date of split.
st - new yearly rate.
stx - stock.
t - dividend paid in stock in preceding 12 months, estimated cost value on ex-dividend or ex-dividend date.
u - new yearly high.
v - trading halted.
w - in bankruptcy or receivership or being reorganized under the Securities Act, or securities covered by such companies.
wt - when issued.
wtw - with warrants.
x - ex-dividend or ex-rights.
y - without warrants.
z - new dividend and sales in full.
yld - yield.
z - sales in full.

Twin Towers In N.Y. for Rent

The Associated Press

NEW YORK — The World Trade Center will soon be up for rent.

The Port Authority of New York and New Jersey approved a proposal late Thursday to offer the 110-story twin towers for lease by a private operator.

The authority will offer a 99-year lease for an estimated \$1.5 billion to run the complex and pay taxes on it. The decision is part of an effort to bring private interests into key Port Authority operations, officials said.

The mayor of New York, Rudolph Giuliani, a sharp critic of the Port Authority, said the city might earn as much as \$100 million a year in taxes from a private owner, four times the \$25 million the authority now pays as a fee to the city.

When completed in 1970, the center's 1,350-foot (412-meter) twin towers were the world's tallest. Though eclipsed by skyscrapers elsewhere, they remain New York City's tallest buildings.

Bloomberg News

NEW YORK — The dollar rose against the yen, reversing the previous day's drop, as Japanese political leaders stalled passage of a banking reform plan seen as critical to lifting the nation from its worst economic slump in 50 years.

Japanese opposition leaders rejected the governing Liberal Democratic Party's compromise on measures designed to fix the banking system, burdened with as much as \$1 trillion in problem loans. In 4 P.M. trading, the dollar rose to 136.17 yen from 134.93 yen Thursday.

"When you boil things down, the Japanese aren't doing anything on the bank-reform legislation," said

FOREIGN EXCHANGE

Jay Bryson, international economist at First Union Corp. "The Japanese economy isn't going anywhere. There's no real reason to own yen."

The dollar was higher against the Deutsche mark, supported by a recovery in U.S. stocks. The U.S. currency was trading at 1.6790 DM, up from 1.6740 Thursday.

Also helping the dollar recoup

losses against the mark were comments from William McDonough, the New York Federal Reserve president, who said the dollar would probably strengthen next year against the euro, Europe's planned single currency.

The dollar's 6.7 percent decline this year against the mark could prompt European central banks to try to lift the dollar so that the euro would not be considered too strong, traders said.

Early in the day, the dollar fell against the mark amid expectations the Federal Reserve Board would

U. S. STOCK MARKET DIARY

Most Active

NYSE

Dow Jones

Standard & Poor's

NYSE

NASDAQ

AMEX

AMEX

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INTERNATIONAL FUTURES

Sept. 25, 1998

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Russia Debt Holders Act to Seize Assets

By Joseph Kahn
New York Times Service

NEW YORK — As foreign holders of Russian debt struggle to recover some of their billions in losses, they have begun blocking Russian bank accounts and other assets overseas, resorting to the courts to unravel a tangled skein of loan, bond and currency-contract defaults.

On Thursday, Lehman Brothers Holdings won a court order in London freezing the British bank accounts of two big Russian banks, Inkombank and Ureksim Bank.

Lehman contends that the two banks defaulted on \$110 million of obligations to Lehman and to Lehman clients.

Dozens of other foreign creditors are scrambling to recover whatever they can from their Russian holdings. A consortium of 17 banks led by Deutsche Bank are pressing the Russian government to offer better terms to holders of defaulted bonds.

A group of U.S. hedge funds, some of the main investors in Russian debt, are fighting for a seat at the bargaining table, arguing that foreign banks do not necessarily represent their interest in talks with the Russians.

The Russian government in August defaulted on \$40 billion of domestic bonds and allowed the ruble to devalue sharply.

The default hit high-risk investors who held once-lucrative Russian bonds. Moscow has also prohibited

Russian banks from paying foreign claims for 90 days, making it impossible for international banks and investors to collect on currency hedges. Most of Lehman's claims involved such currency forward contracts.

The legal action is expected to prompt a rush to freeze or lay claim to financial assets held by Russian debtors abroad. It is also a signal that some big U.S. banks have little faith in the talks between international creditors and the Russian government.

"I think you will see people trying to get in court what they can't get on the market," said a U.S. lawyer who specializes in Russia, who spoke on the condition of anonymity. "We have clients who are trying to find what the Russians own and

whether they can make a claim."

Inkombank, Russia's second-largest bank, criticized Lehman's lawsuit.

"Lehman Brothers is trying to use force to get ahead of other creditors and to be the first seizing everything it can," Bloomberg News quoted a bank official as saying.

A Lehman spokesman declined to comment in detail on the court action. But he said the firm was taking action on behalf of clients for whom Lehman acted as an agent arranging contracts to swap dollars for rubles at a certain exchange rate.

The legal battle comes as creditors are also pressing Russia to improve the terms it is offering holders of domestic bonds. Foreign banks negotiating with the government won a weeklong extension, until

next Friday, of the deadline Russia set to swap defaulted bonds for new securities. The new securities would be valued at only 10 percent of the old ones before the default, and the banks are pressing for more time to bargain for a better deal.

U.S. hedge fund investors are also lobbying to have their voices heard. A new group representing 60 hedge funds and asset managers has formed to press the Russian government to make good on contracts or risk long-term exclusion from international capital markets.

"We are the ultimate holders of this debt," said Steven Halliwell of River Capital Management, which organized the hedge fund lobby.

"So we need to take action, including possible legal action, to protect our interests."

EU Officials Are Upbeat On Growth

Compiled by Our Staff From Dispatches

VIENNA — European Union finance chiefs played down on Friday fears that the spreading international economic turmoil will derail growth within the EU as it prepares to launch its single currency.

"It wouldn't be right to be overly pessimistic in light of the global environment and to assume that we will see a global recession," the president of the German central bank, Hans Tietmeyer, said before a meeting of senior EU finance officials.

On Saturday, Europe's central bank governors were to join finance ministers from the 15 EU nations in Vienna for talks that were expected to focus on the Union's response to the Russian crisis.

"The EU can do everything in its power to stop Russia feeling isolated," said the German economics minister, Guenther Rexrodt. "What we cannot do is give fresh cash."

Michel Camdessus, the managing director of the International Monetary Fund, was scheduled to attend the talks. The finance ministers opened the two-day meeting Friday, focusing on final preparations for the Jan. 1 introduction of the euro.

The president of the EU commission, Jacques Santer, said the 11-country euro zone would be represented in organizations such as the IMF and Group of Seven wealthy industrialized countries.

The French finance minister, Dominique Strauss-Kahn, was expected to propose that the three euro-zone countries in the G-7 — France, Germany and Italy — take turns representing the whole bloc.

Also Friday, the EU monetary affairs commissioner, Yves Thibault de Silguy, warned countries in Eastern Europe that are waiting to join the Union that they should not peg their currencies to the euro.

Hungary, Poland, the Czech Republic, Slovenia and Estonia are negotiating for membership early in the next century. He said they must begin coordinating their monetary policies with the European Central Bank as soon as they join the EU, though they can maintain independent monetary policies until they adopt the single currency.

Investor's Europe				
Frankfurt DAX	London FTSE 100 index	Paris CAC 40		
6100	6250	4400		
5800	6000	4200		
5600	5750	4000		
5400	5500	3800		
5200	5250	3600		
5000	5000	3400		
4800	4750	3200		
4600	4500	3000		
4400	4250	2800		
4200	4000	2600		
4000	3750	2400		
3800	3500	2200		
3600	3250	2000		
3400	3000	1800		
3200	2750	1600		
3000	2500	1400		
2800	2250	1200		
2600	2000	1000		
2400	1750	800		
2200	1500	600		
2000	1250	400		
1800	1000	200		
1600	750	0		
1400	500	0		
1200	250	0		
1000	0	0		
800	0	0		
600	0	0		
400	0	0		
200	0	0		
0	0	0		
Exchange	Index	Friday Close	Prev. Close	% Change
Amsterdam	AEX	2,996.20	3,041.83	-1.49
Brussels	SEL-20	4,561.58	4,646.25	-1.82
Frankfurt	DAX	5,814.54	6,014.33	-3.32
Copenhagen	Stock Market	581.54	601.43	-3.32
Helsinki	HEX General	4,149.98	4,233.32	-1.97
Oso	OSX	468.00	481.27	-2.71
London	FTSE 100	5,061.00	5,167.00	-2.06
Madrid	Stock Exchange	682.00	702.00	-2.72
Milan	MBITEL	16556	16987	-2.58
Paris	CAC 40	3,310.59	3,361.13	-1.49
Stockholm	SK 16	3,260.53	3,270.50	-0.30
Vienna	ATX	1,095.30	1,117.47	-1.98
Zurich	SPI	3,863.81	3,918.08	-1.39

Very briefly:

- Italy's unemployment rate fell to a 12-month low of 11.9 percent in July from 12.5 percent in April, trimmed by seasonal hires in retailing and tourism, though the rate remained the highest of the Group of Seven industrialized nations.
- Flofax Group PLC, a British maker of organizers, accepted an increased £50.3 million (\$85.4 million) takeover offer from Day Runner Inc. of the United States.
- Commerzbank AG increased its stake in Banca Commerciale Italiana SpA, Italy's fifth-biggest bank, to about 5 percent from about 3 percent.
- Scandinavian Airlines System said it was in talks with Singapore Airlines Ltd. to create a code-sharing agreement, a move that may pave the way for the Asian carrier to join the Star Alliance, the world's biggest airline grouping.
- Groupe Air France's sales fell 4.7 percent, to 13.84 billion francs (\$2.47 billion), in the three months ended in June, which included a damaging 10-day strike in June before the World Cup football championship, held in France.
- Ladbrooke Group PLC, a British leisure and hotel company, said it had received a number of bids from venture-capital firms for its chain of 891 Coral betting shops. The government has ordered Ladbrooke to sell the shops within six months.
- Investor AB, the main financial vehicle of the Wallenberg family, exercised its option to buy shares in ABB Asia Brown Boveri Ltd., lifting its capital stake to 9.9 percent.
- Remy Cointreau SA said LVMH Moet Hennessy Louis Vuitton SA's Moet & Chandon champagne unit agreed to buy the de Venoge champagne brand from Remy. Financial details of the transaction were not disclosed.
- Imarsat, the intergovernmental satellite communications cooperative, will become a private company next year and intends to sell stock to the public.

Kingfisher to Merge B&Q With Castorama

Bloomberg Business News

LONDON — Kingfisher PLC said it would combine its B&Q home-improvement business with Castorama of France, creating the biggest do-it-yourself retailer in Europe.

Kingfisher shares rose 2.7 percent to 525 pence after the British company said it would exchange its B&Q unit for a 54.6 percent stake, valued at \$4 billion, in the enlarged company, Castorama-Dubois Investissements. Castorama, whose shares were suspended, will issue 22

million new shares in payment to Kingfisher, which will have the option to buy all of Castorama after 30 months.

The merger, which would create the third-largest home-improvement retailer in the world, would give the two companies greater purchasing power and comes as Kingfisher is stepping up its expansion in Continental Europe.

B&Q, the leading home-improvement retailer in Britain, has a market share of 17.5 percent and has sales last year of £1.8 billion (\$1.06

billion). Castorama, the French market leader, has a market share of 29 percent and had 1997 sales of 21.1 billion francs (\$3.75 billion).

"This is a sound strategic move for Kingfisher," said Jon Scoffin of Barclays Capital Group in London. "The move is well timed and will leave the group well placed in post-EMU Europe."

Kingfisher already owns France's No. 1 appliance retailer, Darty. This week, it acquired another 35.7 percent of BUT SA, France's second-largest furniture retailer, taking its stake to 61.7 percent.

As recently as March, Castorama insisted that it was not for sale.

Explaining the change in outlook, Jean-Luc Dubois, managing director for finance and a member of the family that founded Castorama, said, "We've found a fantastic opportunity to double our size."

At current market prices, the stock package would be worth 23.3 billion francs to Kingfisher.

Castorama will hold 45.4 percent of the enlarged company. The company will retain its Paris listing and have a market capitalization of 43 billion francs.

Jean-Hugues Loyez of Castorama will remain as chief executive of the management board, running the day-to-day business, and report to Sir Geoffrey Mulcahy, chief executive of Kingfisher.

RUSSIA: A Finance Dispute Shakes Primakov's Cabinet

Continued from Page 13

Mr. Vladimir Ryzhkov, backed out of a high-level appointment under Mr. Primakov.

Mr. Shokin's departure could shift the center of gravity in the cabinet toward another deputy prime minister, Yuri Maslyukov, a Communist who has championed a return to industrial subsidies.

The divided cabinet has seemed to lack a single plan for dealing with Russia's surging inflation and paralyzed banking system.

Mr. Primakov has allowed multiple plans to flourish, leading to confusion about the government's

plans. Mr. Shokin's walkout came after talks with an IMF delegation on the next installment in a \$2.2 billion aid package that the fund offered in mid-July.

One \$4.8 billion installment was paid, and Mr. Shokin said Thursday that Russia needed the next \$4.3 billion tranche to help it stave off default on its overseas debts.

The IMF delegation concluded talks here without agreeing to free the next installment.

It will return Oct. 12 for further negotiations, the Interfax news service reported.

The Bank of Russia has extended by two weeks a deadline for de-

positors to transfer their accounts from commercial banks to the state-controlled Sberbank in an attempt to protect citizens' savings, Bloomberg News reported.

Depositors will have until Oct. 10 to move their deposits to Sberbank, the savings bank. Sberbank will pay out deposits Nov. 30 instead of the originally scheduled Nov. 15.

The central bank took the step "because of multiple appeals from depositors," it said in a statement.

The decision concerns depositors in Russia's six biggest banks, Inkombank, Most Bank, Mosbизнесbank, Bank Menatep, Promstrobank and SBS-AGRO.

WORLD STOCK MARKETS

Friday, Sept. 25

Daily prices in local currencies

High Low Close Prev.

Amsterdam

AEX Index: 2996.20

Prev.: 3041.83

Change: -1.49

Brussels

SEL-20 Index: 4561.58

Prev.: 4646.25

Change: -1.82

Frankfurt

DAX Index: 5814.54

Prev.: 6014.33

Change: -3.32

Copenhagen

Stock Market: 581.54

Prev.: 601.43

Change: -3.32

Helsinki

HEX General: 4149.98

Prev.: 4233.32

Change: -1.97

Oso

OSX Index: 468.00

Prev.: 481.27

Change: -2.71

London

FTSE 100: 5061.00

Prev.: 5167.00

Change: -2.06

Madrid

Stock Exchange: 682.00

Prev.: 702.00

Change: -2.72

Milan

MBITEL: 16556

Prev.: 16987

Change: -2.58

Paris

CAC 40: 3310.59

Prev.: 3361.13

Change: -1.49

Stockholm

SK 16: 3260.53

Prev.: 3270.50

Change: -0.30

Vienna

ATX: 1095.30

Prev.: 1117.47

Change: -1.98

Zurich

SPI: 3863.81

Prev.: 3918.08

Change: -1.39

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Change: -1.97

Oso

OSX Index: 468.00

Prev.: 481.27

The 2,500 most traded stocks of the day.
Nationwide prices not reflecting late trades elsewhere.
The Associated Press

NAME	AGE	SEX	REL	DATE	TIME	PLACE	REMARKS
1. J. H. Smith	45	M	H	1912	10	100	100
2. M. J. Smith	42	F	W	1912	10	100	100
3. J. H. Smith	45	M	H	1912	10	100	100
4. M. J. Smith	42	F	W	1912	10	100	100
5. J. H. Smith	45	M	H	1912	10	100	100
6. M. J. Smith	42	F	W	1912	10	100	100
7. J. H. Smith	45	M	H	1912	10	100	100
8. M. J. Smith	42	F	W	1912	10	100	100
9. J. H. Smith	45	M	H	1912	10	100	100
10. M. J. Smith	42	F	W	1912	10	100	100
11. J. H. Smith	45	M	H	1912	10	100	100
12. M. J. Smith	42	F	W	1912	10	100	100
13. J. H. Smith	45	M	H	1912	10	100	100
14. M. J. Smith	42	F	W	1912	10	100	100
15. J. H. Smith	45	M	H	1912	10	100	100
16. M. J. Smith	42	F	W	1912	10	100	100
17. J. H. Smith	45	M	H	1912	10	100	100
18. M. J. Smith	42	F	W	1912	10	100	100
19. J. H. Smith	45	M	H	1912	10	100	100
20. M. J. Smith	42	F	W	1912	10	100	100
21. J. H. Smith	45	M	H	1912	10	100	100
22. M. J. Smith	42	F	W	1912	10	100	100
23. J. H. Smith	45	M	H	1912	10	100	100
24. M. J. Smith	42	F	W	1912	10	100	100
25. J. H. Smith	45	M	H	1912	10	100	100
26. M. J. Smith	42	F	W	1912	10	100	100
27. J. H. Smith	45	M	H	1912	10	100	100
28. M. J. Smith	42	F	W	1912	10	100	100
29. J. H. Smith	45	M	H	1912	10	100	100
30. M. J. Smith	42	F	W	1912	10	100	100
31. J. H. Smith	45	M	H	1912	10	100	100
32. M. J. Smith	42	F	W	1912	10	100	100
33. J. H. Smith	45	M	H	1912	10	100	100
34. M. J. Smith	42	F	W	1912	10	100	100
35. J. H. Smith	45	M	H	1912	10	100	100
36. M. J. Smith	42	F	W	1912	10	100	100
37. J. H. Smith	45	M	H	1912	10	100	100
38. M. J. Smith	42	F	W	1912	10	100	100
39. J. H. Smith	45	M	H	1912	10	100	100
40. M. J. Smith	42	F	W	1912	10	100	100
41. J. H. Smith	45	M	H	1912	10	100	100
42. M. J. Smith	42	F	W	1912	10	100	100
43. J. H. Smith	45	M	H	1912	10	100	100
44. M. J. Smith	42	F	W	1912	10	100	100
45. J. H. Smith	45	M	H	1912	10	100	100
46. M. J. Smith	42	F	W	1912	10	100	100
47. J. H. Smith	45	M	H	1912	10	100	100
48. M. J. Smith	42	F	W	1912	10	100	100
49. J. H. Smith	45	M	H	1912	10	100	100
50. M. J. Smith	42	F	W	1912	10	100	100
51. J. H. Smith	45	M	H	1912	10	100	100
52. M. J. Smith	42	F	W	1912	10	100	100

High Low	Open	Close	On Day	PE	Vol	High	Lowest	Trp
25.00	25.00	25.00	1	1.00	100	25.00	25.00	100
25.00	25.00	25.00	2	1.00	100	25.00	25.00	100
25.00	25.00	25.00	3	1.00	100	25.00	25.00	100
25.00	25.00	25.00	4	1.00	100	25.00	25.00	100
25.00	25.00	25.00	5	1.00	100	25.00	25.00	100
25.00	25.00	25.00	6	1.00	100	25.00	25.00	100
25.00	25.00	25.00	7	1.00	100	25.00	25.00	100
25.00	25.00	25.00	8	1.00	100	25.00	25.00	100
25.00	25.00	25.00	9	1.00	100	25.00	25.00	100
25.00	25.00	25.00	10	1.00	100	25.00	25.00	100
25.00	25.00	25.00	11	1.00	100	25.00	25.00	100
25.00	25.00	25.00	12	1.00	100	25.00	25.00	100
25.00	25.00	25.00	13	1.00	100	25.00	25.00	100
25.00	25.00	25.00	14	1.00	100	25.00	25.00	100
25.00	25.00	25.00	15	1.00	100	25.00	25.00	100
25.00	25.00	25.00	16	1.00	100	25.00	25.00	100
25.00	25.00	25.00	17	1.00	100	25.00	25.00	100
25.00	25.00	25.00	18	1.00	100	25.00	25.00	100
25.00	25.00	25.00	19	1.00	100	25.00	25.00	100
25.00	25.00	25.00	20	1.00	100	25.00	25.00	100
25.00	25.00	25.00	21	1.00	100	25.00	25.00	100
25.00	25.00	25.00	22	1.00	100	25.00	25.00	100
25.00	25.00	25.00	23	1.00	100	25.00	25.00	100
25.00	25.00	25.00	24	1.00	100	25.00	25.00	100
25.00	25.00	25.00	25	1.00	100	25.00	25.00	100
25.00	25.00	25.00	26	1.00	100	25.00	25.00	100
25.00	25.00	25.00	27	1.00	100	25.00	25.00	100
25.00	25.00	25.00	28	1.00	100	25.00	25.00	100
25.00	25.00	25.00	29	1.00	100	25.00	25.00	100
25.00	25.00	25.00	30	1.00	100	25.00	25.00	100
25.00	25.00	25.00	31	1.00	100	25.00	25.00	100
25.00	25.00	25.00	32	1.00	100	25.00	25.00	100
25.00	25.00	25.00	33	1.00	100	25.00	25.00	100
25.00	25.00	25.00	34	1.00	100	25.00	25.00	100
25.00	25.00	25.00	35	1.00	100	25.00	25.00	100
25.00	25.00	25.00	36	1.00	100	25.00	25.00	100
25.00	25.00	25.00	37	1.00	100	25.00	25.00	100
25.00	25.00	25.00	38	1.00	100	25.00	25.00	100
25.00	25.00	25.00	39	1.00	100	25.00	25.00	100
25.00	25.00	25.00	40	1.00	100	25.00	25.00	100
25.00	25.00	25.00	41	1.00	100	25.00	25.00	100
25.00	25.00	25.00	42	1.00	100	25.00	25.00	100
25.00	25.00	25.00	43	1.00	100	25.00	25.00	100
25.00	25.00	25.00	44	1.00	100	25.00	25.00	100
25.00	25.00	25.00	45	1.00	100	25.00	25.00	100
25.00	25.00	25.00	46	1.00	100	25.00	25.00	100
25.00	25.00	25.00	47	1.00	100	25.00	25.00	100
25.00	25.00	25.00	48	1.00	100	25.00	25.00	100
25.00	25.00	25.00	49	1.00	100	25.00	25.00	100
25.00	25.00	25.00	50	1.00	100	25.00	25.00	100
25.00	25.00	25.00	51	1.00	100	25.00	25.00	100
25.00	25.00	25.00	52	1.00	100	25.00	25.00	100
25.00	25.00	25.00	53	1.00	100	25.00	25.00	100
25.00	25.00	25.00	54	1.00	100	25.00	25.00	100
25.00	25.00	25.00	55	1.00	100	25.00	25.00	100
25.00	25.00	25.00	56	1.00	100	25.00	25.00	100
25.00	25.00	25.00	57	1.00	100	25.00	25.00	100
25.00	25.00	25.00	58	1.00	100	25.00	25.00	100
25.00	25.00	25.00	59	1.00	100	25.00	25.00	100
25.00	25.00	25.00	60	1.00	100	25.00	25.00	100
25.00	25.00	25.00	61	1.00	100	25.00	25.00	100
25.00	25.00	25.00	62	1.00	100	25.00	25.00	100
25.00	25.00	25.00	63	1.00	100	25.00	25.00	100
25.00	25.00	25.00	64	1.00	100	25.00	25.00	100
25.00	25.00	25.00	65	1.00	100	25.00	25.00	100
25.00	25.00	25.00	66	1.00	100	25.00	25.00	100
25.00	25.00	25.00	67	1.00	100	25.00	25.00	100
25.00	25.00	25.00	68	1.00	100	25.00	25.00	100
25.00	25.00	25.00	69	1.00	100	25.00	25.00	100
25.00	25.00	25.00	70	1.00	100	25.00	25.00	100
25.00	25.00	25.00	71	1.00	100	25.00	25.00	100
25.00	25.00	25.00	72	1.00	100	25.00	25.00	100
25.00	25.00	25.00	73	1.00	100	25.00	25.00	100
25.00	25.00	25.00	74	1.00	100	25.00	25.00	100
25.00	25.00	25.00	75	1.00	100	25.00	25.00	100
25.00	25.00	25.00	76	1.00	100	25.00	25.00	100
25.00	25.00	25.00	77	1.00	100	25.00	25.00	100
25.00	25.00	25.00	78	1.00	100	25.00	25.00	100
25.00	25.00	25.00	79	1.00	100	25.00	25.00	100
25.00	25.00	25.00	80	1.00	100	25.00	25.00	100
25.00	25.00	25.00	81	1.00	100	25.00	25.00	100
25.00	25.00	25.00	82	1.00	100	25.00	25.00	100
25.00	25.00	25.00	83	1.00	100	25.00	25.00	100
25.00	25.00	25.00	84	1.00	100	25.00	25.00	100
25.00	25.00	25.00	85	1.00	100	25.00	25.00	100
25.00	25.00	25.00	86	1.00	100	25.00	25.00	100
25.00	25.00	25.00	87	1.00	100	25.00	25.00	100
25.00	25.00	25.00	88	1.00	100	25.00	25.00	100
25.00	25.00	25.00	89	1.00	100	25.00	25.00	100
25.00	25.00	25.00	90	1.00	100	25.00	25.00	100
25.00	25.00	25.00	91	1.00	100	25.00	25.00	100
25.00	25.00	25.00	92	1.00	100	25.00	25.00	100
25.00	25.00	25.00	93	1.00	100	25.00	25.00	100
25.00	25.00	25.00	94	1.00	100	25.00	25.00	100
25.00	25.00	25.00	95	1.00	100	25.00	25.00	100
25.00	25.00	25.00	96	1.00	100	25.00	25.00	100
25.00	25.00	25.00	97	1.00	100	25.00	25.00	100
25.00	25.00	25.00	98	1.00	100	25.00	25.00	100
25.00	25.00	25.00	99	1.00	100	25.00	25.00	100
25.00	25.00	25.00	100	1.00	100	25.00	25.00	100

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ASIA/PACIFIC

Thais Cope by Cutting Pay First, Not Jobs

By Thomas Crampton
International Herald Tribune

BANGKOK — Companies in Thailand are slashing salaries faster than they are firing workers, according to one of the first comprehensive analyses of employment changes in a crisis-hit Asian economy.

The study, released Friday by the Asian Development Bank, said that per-capita income in Thailand had fallen more than 20 percent, but that most of the drop was due to a decline in average wages, with a much smaller proportion attributed to the fall in the number of wage earners as unemployment rose.

It also found that the crisis had led to an increase in child labor. "This will have, in the long run, a serious impact on Thailand's well-being," the study said.

Economists and officials of the Asian Development Bank said these and other findings would have an impact on economic policy in Thailand while influencing the design of social assistance packages throughout the region.

"The fall of incomes described in this report shows how we must concentrate on keeping down inflation, especially the prices of essential commodities," said Sudipto Mundle, a senior economist at the Asian Development Bank. "More people have been brought toward the level of impoverishment than headline unemployment statistics imply."

He added, "The changes found in Thailand's labor market and incomes due to the crisis will be repeated in similarly structured Asian economies."

Because Asian workers generally have no Western-style social security system, many prefer to accept pay cuts as opposed to unemployment.

The strict enforcement of laws governing severance pay in Thailand also encourages companies not to fire workers. Employees are entitled to the equivalent of six months' salary as severance pay if they have been working at a company for three years.

"Salary cuts are more acceptable to everyone, so offices get together and figure out how to lower the over-

all wage bill," said Ammar Siamwala, a senior adviser at the Thailand Development Research Institute.

"Often you will find senior members of company management are no longer get paid, while day workers still receive their wages," Mr. Ammar said.

More than half the population in Thailand works in agriculture, and the study found that despite migrations of unemployed city workers back to their home villages, farm incomes overall have not been affected by the crisis.

An increase in agricultural exports — stimulated by the devaluation of the Thai currency — has lifted farm incomes in fertile regions, the study suggested, while areas unable to irrigate during a dry-season harvest have seen incomes plummet.

The impoverished northeast region of Thailand has suffered from the crisis more severely than any other region, according to the study. Unemployment in the northeast has surged 8.53 percent, while incomes have declined by 2.5 percent.

Sharp regional differences such

as this highlight the need for narrowly targeted aid and economic restructuring, said William McCleary, who is a professor at Thammasat University and a former World Bank economist.

"This study makes it clear that there is no macroeconomic solution to the crisis," Mr. McCleary said, and thus "changes are required at the most basic level."

The educated urban middle class faced the greatest cuts in pay, coupled with a quickly rising unemployment rate, the study found.

This slice of Thai society also saw a reduction in real income of more than 2,500 baht (\$61) a month, according to the study.

Construction workers faced the sharpest rise in employment in any sector, but banking, manufacturing and communication also have been hit hard.

The study was conducted by Narak Kakwani, a professor at the University of New South Wales in Australia. It is based on data gathered from a nationwide survey of 190,000 individuals.

Losses Seen At Sharp And Nikon

Agence France-Press

TOKYO — Sharp Corp. and Nikon Corp. warned Friday that they would incur heavy losses this year because of a slump in the microchip market.

Sharp said profit before tax would slide 44.7 percent from the previous year, to 28 billion yen (\$207.5 million), for the year ending March 31, 1999. It said net profit would be down 59.7 percent, to 10 billion yen.

Sharp's shares fell 50 yen, or 5.8 percent, to close at 813.

"Our company is expected to come short of the previous forecast in May due to poor sales of some visual equipment and larger-than-expected drops in the prices of liquid-crystal display panels and integrated circuits," Sharp said.

"The business environment remains severe, with the economic slump exacerbated by depressed consumption and housing demand, coupled with economic turmoil in Asia and the financial crisis in Russia,"

Investor's Asia				
Exchange	Index	Fri. Close	Prev. Close	% Change
Hong Kong Hang Seng	11000	7,701.61	7,834.61	-1.70
Singapore Straits Times	1000	923.92	931.98	-0.86
Tokyo Nikkei 225	1500	13,723.84	14,205.78	-3.39
Kuala Lumpur Composite	800	367.27	367.46	-0.05
Bangkok SET	700	248.93	250.18	-0.95
Seoul Composite Index	600	303.79	310.75	-2.24
Taipei Stock Market Index	500	6,976.09	6,979.95	-0.01
Manila PSE	100	1,215.46	1,220.25	-0.39
Jakarta Composite Index	400	273.22	282.18	-2.48
Wellington NZSE 40	100	1,708.79	1,730.46	-1.23
Bombay Sensitive Index	300	3,223.57	3,225.30	-0.05

IMF: Official Blasts Russian 'Blackmail' and U.S. Pressure

Continued from Page 13

"We go on assessing the situation to be ready when the need arises," the official said in a considerable understatement of the frantic series of phone calls exchanged among the world's finance ministries in recent weeks about stopping the world's economic crises from spreading to Latin America.

In recent days, leaders of the Fund — particularly Michel Camdessus, its French-born managing director — have been mounting a public-relations counteroffensive against its many critics.

Both the U.S. Senate majority leader, Trent Lott, and the House of Representatives speaker, Newt Grin-

grich, have referred to Mr. Camdessus as a "French socialist" who has squandered the Fund's resources, and the House recently rejected an \$18 billion payment of the U.S. commitment to the institution.

The IMF has been on the defensive about its \$4.8 billion aid payment to Russia in late July. No one is likely to be able to fully account for the money, which was intended to stabilize the ruble but was lost in currency transactions after the Russian government allowed the ruble to be devalued.

By most accounts, however, the money provided some time for the country's oligarchs to get their cash out of the country before the devaluation.

On Thursday, the IMF official reversed course and was sharply critical of Russia, making clear that the IMF would not go forward with the \$17 billion bailout plan it cobbled together in July unless Russia met the conditions of the loan.

The new Russian government appears to be going the other way — announcing plans to print money to dictate to its lenders when and how much they will get paid back.

"For the government to be credible with the international community, they must behave in a civilized way with their creditors," the senior official said.

"Any kind of imposed solution for debt restructuring would be a mistake."

China Offers to Cooperate on Surplus

Reuters

SHANGHAI — China is willing to work with the United States to resolve a bilateral trade surplus that Washington has warned could spark political friction, a senior Chinese trade official said Friday.

"We understand the concern of

the U.S. side toward the trade deficit," said Long Yongmu, China's chief negotiator at World Trade Organization talks.

"We are willing to work hard with the United States to resolve this issue," said Mr. Long, deputy minister of foreign trade.

Manila Luring Airline Investors

Agence France-Press

MANILA — President Joseph Estrada will announce on Saturday the entry of new investors into the domestic airline industry to take over routes served by the defunct Philippine Airlines, his spokesman said Friday.

Earlier Friday, Mr. Estrada said that at least two foreign investors had expressed interest in airline operations in the country's domestic market, but he did not identify them, and there were no details.

The shutdown of flag carrier, Philippine Airlines, is projected to cost \$722 million in lost tourism receipts in the four months to December, a government agency said Friday.

The agency also projected arrival of 321,027 foreign visitors spending \$117 daily for an average stay of eight nights in the country.

The airline disappeared from the air at midnight Wednesday.

But Sharp said its sales would be up 2.8 percent at 1.84 billion yen, driven by strong sales of MiniDisc products, facsimile machines, audio and telecommunications equipment.

For the six months ending next week, Sharp said its profit before tax would fall 79 percent, to 7.7 billion yen. It said net profit was expected to fall 88 percent, to 2.5 billion yen.

Nikon forecast a pretax loss of 10 billion yen, a reversal from its earlier estimate of a 3 billion yen pretax profit. It predicted a net loss of 12 billion yen, in contrast to its earlier expectation of profit of 1 billion yen.

"Our sales forecast is expected to come short of an earlier estimate, and profitability is seen deteriorating as a prolonged microchip market slump resulted in reduced microchip-related capital investment," Nikon said.

Nikon forecast sales of 340 billion yen, down from 370 billion yen expected previously. Nikon's shares expected previously, Nikon's shares

Very briefly:

- New Zealand joined a large part of Asia with official data showing a recession, but Treasurer Bill Birch said the nation may already be on the road to recovery.
- Japan's automakers made fewer cars, trucks and buses in August as falling wages and jobs cramped consumer demand. It was the 11th straight month of declines.
- Dai-ichi Kangyo Bank Ltd., Japan's third-largest commercial bank, will book 50 billion yen (\$370 million) to profit from property sales for the half-year ending Wednesday.
- South Korea's prosecutors, amid serious worries over the impact of any stoppage on the economy, warned that there could be immediate police raids if bank unions went on strike next week to protest massive job cuts.
- The Bank of Japan's governor said the central bank's rate cut two weeks ago had not been coordinated with central banks in other nations, as some investors have speculated.
- Japan's Defense Agency suspended dealings with NEC Corp., Japan's largest maker of personal computers and microchips, and its affiliate, Toyo Communication Equipment Co., after a military procurement scandal. The ban excludes cases where the agency has no alternate supplier.
- Indonesia's banking authorities reached a deal with former President Suharto's cousin, Sudwikatmono, for repayment of 10 billion rupiah (\$1.2 billion) owed the government.
- Indonesia has saved \$30 million in a continuing review of 140 contracts in the oil and gas sector conducted to eliminate corruption, the Kompas newspaper said.
- Charles Schwab Corp., a U.S. discount broker, bucking the trend of shrinkage in Hong Kong's recession-battered securities industry, plans to expand its Hong Kong staff.

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- The Environment: Finding Market Solutions
- Using Intelligence For Business Decisions
- Global Adjustments In The Brave New World Of Weak Market Fundamentals
- The Middle East: The Challenge Of Reasserting A Pivotal Role In The Industry
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NASDAQ

Friday's 4 P.M.
The 1,000 most traded National Market securities
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The Associated Press.

Stock	Dr	Yd	PE	High	Low	Last	Chg
IBM	120	120	120	120	120	120	0
Microsoft	110	110	110	110	110	110	0
Oracle	100	100	100	100	100	100	0
Novartis	90	90	90	90	90	90	0
Amgen	80	80	80	80	80	80	0
Genentech	70	70	70	70	70	70	0
Boehringer	60	60	60	60	60	60	0
Novartis	50	50	50	50	50	50	0
Amgen	40	40	40	40	40	40	0
Genentech	30	30	30	30	30	30	0

Stock	Dr	Yd	PE	High	Low	Last	Chg
Novartis	120	120	120	120	120	120	0
Amgen	110	110	110	110	110	110	0
Genentech	100	100	100	100	100	100	0
Boehringer	90	90	90	90	90	90	0
Novartis	80	80	80	80	80	80	0
Amgen	70	70	70	70	70	70	0
Genentech	60	60	60	60	60	60	0
Boehringer	50	50	50	50	50	50	0
Novartis	40	40	40	40	40	40	0

Stock	Dr	Yd	PE	High	Low	Last	Chg
Novartis	120	120	120	120	120	120	0
Amgen	110	110	110	110	110	110	0
Genentech	100	100	100	100	100	100	0
Boehringer	90	90	90	90	90	90	0
Novartis	80	80	80	80	80	80	0
Amgen	70	70	70	70	70	70	0
Genentech	60	60	60	60	60	60	0
Boehringer	50	50	50	50	50	50	0
Novartis	40	40	40	40	40	40	0

Stock	Dr	Yd	PE	High	Low	Last	Chg
Novartis	120	120	120	120	120	120	0
Amgen	110	110	110	110	110	110	0
Genentech	100	100	100	100	100	100	0
Boehringer	90	90	90	90	90	90	0
Novartis	80	80	80	80	80	80	0
Amgen	70	70	70	70	70	70	0
Genentech	60	60	60	60	60	60	0
Boehringer	50	50	50	50	50	50	0
Novartis	40	40	40	40	40	40	0

Stock	Dr	Yd	PE	High	Low	Last	Chg
Novartis	120	120	120	120	120	120	0
Amgen	110	110	110	110	110	110	0
Genentech	100	100	100	100	100	100	0
Boehringer	90	90	90	90	90	90	0
Novartis	80	80	80	80	80	80	0
Amgen	70	70	70	70	70	70	0
Genentech	60	60	60	60	60	60	0
Boehringer	50	50	50	50	50	50	0
Novartis	40	40	40	40	40	40	0

Stock	Dr	Yd	PE	High	Low	Last	Chg
Novartis	120	120	120	120	120	120	0
Amgen	110	110	110	110	110	110	0
Genentech	100	100	100	100	100	100	0
Boehringer	90	90	90	90	90	90	0
Novartis	80	80	80	80	80	80	0
Amgen	70	70	70	70	70	70	0
Genentech	60	60	60	60	60	60	0
Boehringer	50	50	50	50	50	50	0
Novartis	40	40	40	40	40	40	0

NYSE

Friday's 4 P.M. Close
(Continued)

Stock	Dr	Yd	PE	High	Low	Last	Chg
IBM	120	120	120	120	120	120	0
Microsoft	110	110	110	110	110	110	0
Oracle	100	100	100	100	100	100	0
Novartis	90	90	90	90	90	90	0
Amgen	80	80	80	80	80	80	0
Genentech	70	70	70	70	70	70	0
Boehringer	60	60	60	60	60	60	0
Novartis	50	50	50	50	50	50	0
Amgen	40	40	40	40	40	40	0
Genentech	30	30	30	30	30	30	0

Stock	Dr	Yd	PE	High	Low	Last	Chg
Novartis	120	120	120	120	120	120	0
Amgen	110	110	110	110	110	110	0
Genentech	100	100	100	100	100	100	0
Boehringer	90	90	90	90	90	90	0
Novartis	80	80	80	80	80	80	0
Amgen	70	70	70	70	70	70	0
Genentech	60	60	60	60	60	60	0
Boehringer	50	50	50	50	50	50	0
Novartis	40	40	40	40	40	40	0

Stock	Dr	Yd	PE	High	Low	Last	Chg
Novartis	120	120	120	120	120	120	0
Amgen	110	110	110	110	110	110	0
Genentech	100	100	100	100	100	100	0
Boehringer	90	90	90	90	90	90	0
Novartis	80	80	80	80	80	80	0
Amgen	70	70	70	70	70	70	0
Genentech	60	60	60	60	60	60	0
Boehringer	50	50	50	50	50	50	0
Novartis	40	40	40	40	40	40	0

Stock	Dr	Yd	PE	High	Low	Last	Chg
Novartis	120	120	120	120	120	120	0
Amgen	110	110	110	110	110	110	0
Genentech	100	100	100	100	100	100	0
Boehringer	90	90	90	90	90	90	0
Novartis	80	80	80	80	80	80	0
Amgen	70	70	70	70	70	70	0
Genentech	60	60	60	60	60	60	0
Boehringer	50	50	50	50	50	50	0
Novartis	40	40	40	40	40	40	0

Stock	Dr	Yd	PE	High	Low	Last	Chg
Novartis	120	120	120	120	120	120	0
Amgen	110	110	110	110	110	110	0
Genentech	100	100	100	100	100	100	0
Boehringer	90	90	90	90	90	90	0
Novartis	80	80	80	80	80	80	0
Amgen	70	70	70	70	70	70	0
Genentech	60	60	60	60	60	60	0
Boehringer	50	50	50	50	50	50	0
Novartis	40	40	40	40	40	40	0

Stock	Dr	Yd	PE	High	Low	Last	Chg
Novartis	120	120	120	120	120	120	0
Amgen	110	110	110	110	110	110	0
Genentech	100	100	100	100	100	100	0
Boehringer	90	90	90	90	90	90	0
Novartis	80	80	80	80	80	80	0
Amgen	70	70	70	70	70	70	0
Genentech	60	60	60	60	60	60	0
Boehringer	50	50	50	50	50	50	0
Novartis	40	40	40	40	40	40	0

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A Risky Bond B

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MONEY

SATURDAY-SUNDAY,
SEPTEMBER 26-27, 1998
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E-mail address: moneyrep@ibt.com

At Play in the Uneven Fields of the Market:
Are Europe's Soccer Clubs a Winning Investment?

By Barbara Wall

FOR MANY SPORTS enthusiasts, the Olympic Games are the ultimate international sporting event. But it is soccer's World Cup that commands the largest television-viewing audiences. According to analysts' reports, the World Cup held in France this summer attracted a television audience of 38 billion, compared with a mere 3.5 billion for the 1996 Olympic Games in Barcelona.

Given the enormous popularity of soccer, it is not surprising that there has been strong interest in the sport's investment opportunities. The principle attraction, analysts say, is the untapped potential for global advertising and sponsorship revenue.

A few years ago, there were few publicly traded soccer teams; there are now 24. Britain, with 21, has led the way. The largest of these is Manchester United PLC, with a market capitalization of more than £580 million (\$974 million). The Continent's three listed teams are Societa Sportiva Lazio SpA of Italy,

valued at 231 billion lire (\$138 million); the Dutch club Ajax Amsterdam, worth 436 million guilders (\$229 million); and Brondbyernes IF Fodbold A/S of Denmark, for which listed shares are valued at 362 million kroner (\$59 million).

Tony Fraher, chief executive of Singer & Friedlander Investment Funds International, said that in some parts of Europe soccer clubs had been prevented from seeking a listing because of local stock exchange regulations.

But he said regulations were being changed to encourage more clubs to list.

"Having seen the financial benefits that a stock market flotation has brought to English soccer clubs, more clubs on the Continent will be keen to follow that lead," Mr. Fraher said. "Speculation about a European Super League has undoubtedly fueled this movement. To stay competitive and to improve their chances of getting into the league, clubs will want to raise extra cash to finance new players and retain their existing stars."

But are European soccer teams a

good investment? Until a few weeks ago, they looked unappealing on the basis of share-price performance. Speculation about an Italian media group's proposed European Super League, which would comprise Europe's top clubs, and the £623 million British Sky Broadcasting Ltd. bid for the leading English club Manchester United, has boosted investor confidence, although there are signs that this may be wan-

ing. "A European Super League will be lucrative for a handful of the top soccer clubs in Europe," one source said, "but investors in those clubs will not necessarily reap any benefits from the increased revenue flows that the league is likely to bring."

Paul Wedge, an analyst with Collins Stewart & Co., a brokerage firm in London, said: "Soccer clubs can generate fantastic operating profits from gate receipts and sponsorship deals, but they spend the money just as quickly as it comes in."

"About 18 months ago, investors piled money into the sector on the back of high revenue forecasts," he added. "Gate re-

ceipts were improving and the income from sponsorship deals was increasing because of a deal that gave one satellite broadcasting company the rights to broadcast Premiership games. In the ensuing scramble to stay in the Premier League, clubs spent all their extra revenue, and more besides, on players' salaries."

"Investors became disenchanted and share prices went into free fall," Mr. Wedge continued. "A European Super League will simply up the stakes, and even more money will be spent on wages and new players."

Although the sector has rebounded by a remarkable 30 percent in recent weeks due to growing media company interest, Virginie Lanneve, an analyst at Salomon Smith Barney Inc., said that she would be cautious about investing in soccer stocks.

"There are those who will argue that all of the English Premier League clubs, most of the top-class clubs in Europe and even some clubs in the English First Division are worthwhile investments because they stand a good chance of being snapped up by media magnates," she said. "I disagree, and would hazard a guess that only a handful of the top soccer clubs in Britain and Continental Europe are likely to be bought by television companies."

There are signs, however, that soccer clubs become more disciplined in managing their finances following a stock market flotation. England's Leeds Sporting PLC turned a £11 million pre-tax loss into a £1.6 million pre-tax profit after becoming a publicly listed company.

But Mr. Brooks said he would advise investors to pick investments with care.

"The clubs that are attractive at the moment are those with strong brand identities and a large international supporter base, such as Manchester United, Arsenal and Liverpool," he said, citing three elite English clubs. "On the Continent, the Spanish clubs Barcelona and Real Madrid would be attractive buys if they were listed."

Many of Europe's top clubs have made inroads into Asia in hopes of widening their supporter base and building on their revenue income from sponsorship deals and advertising.

Manchester United has a strong following in the region. In Thailand, 30,000

Few Cheers
For Investors

Year-to-date return in U.S. dollars for major publicly traded soccer clubs in Britain.

Sunderland PLC	54.79%
Manchester United	45.57
Celtic PLC	30.99
Charlton Athletic	23.93
Newcastle United	7.59
Tottenham Hotspur	4.74
Birmingham City	1.29
Aston Villa	-5.53
Heart of Midlothian	-5.82
West Brom. Albion	-11.47
Millwall Hldgs.	-20.13
Nottingham Forest	-20.24
Chelmsa Village	-24.09
Leeds Sporting	-24.32
Preston North End	-25.03
Burnden Leisure	-26.37
Southampton	-29.06
Sheffield United	-35.94
Leicester City	-36.35
Loftus Road PLC	-57.52

Source: Bloomberg

With Sports Funds, Results Are Mixed

Sector Is Volatile and Focus Is on Brand Notoriety and Television Rights

By Judith Rehak

THE HYPE AND publicity surrounding the \$1 billion bid by Rupert Murdoch's British Sky Broadcasting Group PLC for Manchester United PLC, one of Britain's leading soccer clubs, makes investing in a sports fund seem like an exciting and potentially lucrative opportunity.

But if the performance of such funds is any indication, you might want to first check the price of a season ticket for your favorite team. You may be better off experiencing the thrills and spills of soccer, football or even auto racing as a spectator rather than as an investor.

"It's been a very volatile sector," said Michael Goldman, the London-based manager of the Momentum Sports Investors Fund, noting regretfully that his investors had shown a low tolerance for wild swings in British soccer stocks, which skyrocketed nearly 100 percent in late 1996 and early 1997, then plummeted.

"There was a huge craze, there was a vast amount of attention and then sentiment turned away," Mr. Goldman said.

He estimated that the Momentum fund, which was up as much as 70 percent at one point, will show roughly a 20 percent return from its May 1996 inception to the end of September — thanks to the leap in soccer stock prices following BSkyB's bid for Manchester United. The Nomura Football Club Index soared 32.7 percent in the week after the announcement of the bid on Sept. 9.

Momentum's portfolio is almost entirely invested in soccer clubs, including Arsenal Football Club PLC and Liverpool FC. Mr. Goldman has sold off most of the sports-related companies he once owned, especially apparel makers.

"Fashion is just too cyclical," he said.

A second offering, the Singer & Friedlander Football Fund, managed to eke out a 1.93 percent return for 1998 through Sept. 11. Soccer clubs, including AFC Ajax Amsterdam, the top Dutch team, and Societa Sportiva Lazio SpA of Italy, make up 61 percent of the portfolio.

But Tony Fraher, the manager, is focusing on the remainder, mostly in communications and media companies. Now, with bidding heating up for television rights or even direct ownership of other clubs, he expects to see action in these holdings, as well. They include

BSkyB and Carlton Communications PLC, the television broadcaster for greater London, which has been talking with Arsenal, the London club that last season won both the English Premier League title and the prestigious FA Cup.

The prize for media groups is the right to broadcast matches for a club, which is crucial to expanding their audiences, commanding ever-higher advertising revenues and possible involvement in the lucrative pay-per-view television market now shaping up in Europe.

"We've seen this coming, which is why we created the fund," Mr. Fraher said. "The hidden title should have been the 'brand values and media rights' fund, but no one would have bought it."

On the Continent, another sports offering, the four-month old Unisport50Plus Fund, is off to a rocky start. Introduced in May just before soccer's World Cup began in France, it has fallen 26 percent.

Thomas Jokel, its manager, has small positions in Ajax and Manchester United, but the fund's sports-related companies, especially Nike Inc., Adidas AG and Reebok International, have been the culprits in its underperformance, their shares hammered by shrinking demand in the Asian markets.

THE DEUTSCHE-mark-denominated fund, which has 50 percent of its holdings in U.S. dollars, was also hit by currency woes, as the mark strengthened against the dollar.

Mr. Jokel has his eye on several German soccer teams that are planning to become publicly listed, but he remains cautious.

"The teams need to have better, more professional management, with a brand strategy and emphasis on profitability with television contracts and clothing," he said. As for the fund's performance, he said that it "doesn't depend on the stock markets."

"It's more the industry that isn't in good shape right now," he added.

While soccer and events such as the World Cup are largely overlooked in the United States, there are two new U.S. funds focused on stock-car racing.

The StockCar Stocks Index Fund, started two weeks ago at \$15 a share, is a no-load vehicle, albeit with what for an index fund is a steep annual management fee of 1.5 percent. The fund is based on a 52-company index of firms associated with auto racing. The Motorsports Associated Growth & Income Fund, which is sold through financial

advisors, made its debut in January, although it only began investing in June. It was down 7.73 percent as of Sept. 16.

These funds expect to find their most fervent shareholders among the growing crowd of stock-car-racing fans. Both own companies like International Speedway Corp., owner and manager of the famed race track in Daytona Beach, Florida, and Speedway Motorsports Inc., a newer, aggressive group that owns and operates motor speedways in cities like Charlotte, North Carolina, the heart of stock-car racing country.

But what accounts for names like SmithKline Beecham PLC, DuPont Co. and McDonald's Corp. in these funds? These companies ante up as much as \$10 million a year to sponsor racing teams competing on the National Association of Stock Car Auto Racing circuit and emblazon their logos on the cars.

SmithKline, for example, touts its Aquafresh toothpaste and Tagamet, an antacid, while DuPont sponsors Jeff Gordon, a leading driver, who uses its paints on his car and is known as the "Rainbow Warrior."

Cigarette sponsors, now shunned at many sports events, are welcome in stock-car racing, where RJR Nabisco Holdings Corp. sponsors the sport's most sought-after prize, the Winston Cup.

Such companies make these so-called stock-car racing funds more like blue-chip offerings with a "motor sports flavor," said Kevin Melich, who manages the Motorsports Growth and Income Fund.

But as far removed as they seem from the European soccer scene, they have one thing in common with their soccer-focused counterparts.

"The real kicker is television revenues," said Mr. Melich, citing another reason why he is so enthusiastic about speedway companies, which control the rights for televising races. Six million racing fans went to the track last year, but another 40 million watched on television.

"Racing is right behind football in terms of viewership, and the companies are about to renegotiate their contracts," Mr. Melich said. "There's still a lot of growth in the business."

For further information, call:

• MOTORSPORTS ASSOCIATED GROWTH & INCOME FUND, Telephone: 1 888 223 0230, or from outside the United States: 1 202 851 0910.
• SINGER & FRIEDLANDER FOOTBALL FUND, Telephone: 1 717 857 8777.
• STOCKCAR STOCKS INDEX FUND, Telephone: 1 800 494 2255, or from outside the United States: 1 610 522 1072.
• UNISPORT50PLUS FUND, Telephone: 1 552 45 58 6621

A Risky Bond Bet for the Sporting Investor

HERE'S A sporting proposition: The Sports Authority Inc., which operates big sporting-goods stores in North America and Japan, has a convertible bond whose yield of 16.14 percent last week is so high that the conversion option is essentially free, according to J.P. Morgan Securities Inc.

This is a risky bet. The bonds carry ratings of B1 from Moody's Investors Service and B from Standard & Poor's Corp., meaning that while they are paying their semiannual interest coupons so far, those payments are far from assured in the future. S&P noted last week that there have been "aggressive" price cuts for athletic footwear, such as sneakers, a big part of the company's business.

It appears that business conditions will be extremely difficult, the ratings agency said.

Venator Group Inc., which was Woolworth's before it got out of the discount-store business to concentrate on its Foot Locker chain and other specialty apparel business, had planned to buy The Sports Authority for stock and assumed debt, but the deal fell apart earlier this month. Venator originally had offered \$18.40 a share, but its stock fell, reducing the value of its bid to \$6.90 when the arrangement was canceled.

Another suitor, Gart Sports Co., offered \$20 a share in July for 70 percent of The Sporting Authority, but the company rejected its bid as too low. After the Venator deal fell apart, it instituted a poison-pill plan to deter raiders.

Business will have to improve for the free equity option to

become attractive. The conversion price for the bonds, which mature Sept. 15, 2001 and carry a 5.25 percent coupon, is \$32.635. The conversion option is valueless, while the stock trades below that price. Still, if the bonds do not default, the yield is more than 11 percentage points above that of a U.S. Treasury note of comparable maturity. As J.P. Morgan noted, investors buying a busted convertible by definition "receive a yield to maturity that compensates them for the credit risk."

If you are not a sports nut, J.P. Morgan identified some other busted convertibles as well, several of which it classified as buys, which it did not do for The Sports Authority issue:

• Corporate Express Inc.'s 4.5 percent issue due July 1, 2000. Its yield this week was 10.76 percent, a 630 basis-point premium to comparable Treasuries. Stock in the company, which sells office supplies to corporations, traded last week at \$10.875, and the conversion price for the bonds, rated B3 by Moody's and B by S&P, is \$33.33.
• Phycor Inc.'s 4.5 percent convertibles due Feb. 15, 2003, which were yielding 18.55 percent, 1,411.7 basis points above Treasuries. The conversion price on the B1/BB-minus bonds is \$38.67 per share, while stock in the company, which operates medical clinics, was changing hands at \$4.9375 a share.
• Tenet Healthcare Corp.'s 6 percent B1/BB-minus issue due Dec. 1, 2005, yielding 9.16 percent, or 462.9 basis points above Treasuries. The conversion price is about \$29.32 and the hospital chain's stock was trading at \$12.0625.

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THE WORLD'S DAILY NEWSPAPER

Summary

but selling little as demand from Asia

While the Philippines is suffering from the economic crisis affecting the rest of

Analysts like the fact that much of

percent this year, according to Sim Cheng Hoon of Merrill Lynch in Singapore.

Stock buy-back programs are better

strategic in Asia will be doing well to spend at least some of it there," Mr. Froehlich said.

percent this year, according to Sim Cheng Hoon of Merrill Lynch in Singapore.

September 25, 1998
<http://www.ibt.com/Funds>

The data in the list above is the D.U.S. supplied by the fund groups to Standard & Poor's Microcap SA. It is collected and reformatted into the list before being transmitted to the HT. Standard & Poor's Microcap and the HT do not warrant the quality or accuracy of the list, the data of the performance of those of the Fund Groups and will not be liable for the list, the data of Fund Group to any extent. This list is not and shall not be deemed to be an offer by the HT or Standard & Poor's Microcap to sell securities or investments of any kind. Investments can fall as well as rise. Past performance does not guarantee future success. It is advisable to seek advice from a qualified independent adviser before investing.

THE MONEY REPORT

The Experts Gone (Simply) Wrong

WALL STREET wants you to believe that investing is a black art, practiced best by brilliant seers, wizards, gophers, or, in the novelist Tom Wolfe's phrase, "masters of the universe."

Baloney. Investing is actually simple. The experts — especially when they become convinced of their own genius — get into trouble by making it complicated. The lesson for small investors is to buy good companies at good prices and hold onto them for a long time. That's it. Stay on this path at your own peril.

Two recent examples of experts gone wrong are: 1) a high-flying bond trader whose hedge fund is about to crash and burn and 2) a quintet of mutual fund experts who have been making embar-

The bond trader is John Meriwether, the Wall Street archetype for Mr. Wolfe's "Bonfire of the Vanities" and Michael Lewis's "Liar's Poker." Mr. Meriwether's firm is now on the verge of collapse, and the story of its travails has helped drag the Dow Jones industrial average down this week.

Mr. Meriwether left Salomon Brothers in 1991 after a bond-trading scandal. Three years later, he started his own firm, Long-Term Capital, with what Business Week called a "dream team of high-tech traders," including the Nobel economists Robert Merton and Myron Scholes and David Mullins, a former vice chairman of the Fed.

LTC's idea was to exploit tiny anomalies, or supposed glitches, in the market. The precise niche was a computer-assisted arbitrage strategy called "convergence trading" — finding thin spreads between different types of bonds and currencies, then speculating that those spreads would narrow or disappear over time.

For instance, Mr. Meriwether's men apparently thought the gap between the value of the U.S. dollar and the British pound had grown too large, so they made bets on derivatives that would pay off if the gap shrank back to the historic average. That has not happened; in fact, the gap has grown larger.

In the 1994 Business Week article, Mr. Mullins says he left the Fed to join

LTC partly because he admired Mr. Meriwether's ability to harness the ups and downs of the market. "Risk management is the key to success."

Those words have more than a touch of irony today, with the fund down 44 percent in August alone, and its total capital (the investors' own stake) reported to be depleted from \$4.8 billion at the start of the year to just \$600 million today.

While "convergence" or "directionless" trades like the dollar-pound bet don't sound risky, the only way to make big money at this game is to borrow heavily so that you can make enormous investments and score millions on one-penny moves. LTC's positions at times exceeded \$100 billion — or as much as 50 times its capital.

JAMES K. GLASSMAN ON INVESTING

In the end, Mr. Meriwether's "dream team" proved to be too clever by half. Even the good years were not so impressive. According to The Wall Street Journal, LTC returned 43 percent, after fees, in 1995, 41 percent in 1996, and 17 percent in 1997. That's a total gain of 135.4 percent. Sounds great, until you realize that the Standard & Poor's 500-Stock Index returned almost as much — 117 percent.

For the second example of experts gone wrong, turn to The New York Times. Five years ago, The Times came up with an interesting idea: Give an imaginary \$50,000 to five experts. Have each allocate the money to mutual funds, switching (if they want) every three months.

The results are miserable beyond imagination. Over the full period, from July 7, 1993, to June 30, 1998, the Vanguard Index 500 fund, which simply owns all the stocks in the S&P average and charges minimal expenses (since it lacks a real-live manager), returned 186 percent. So a \$50,000 investment stashed in the fund became \$143,000 — a profit of \$93,000.

But the best of the experts — Sheldon Jacobs, editor of the No-Load Fund Investor, a newsletter based in Irvington, New York — managed profits of only \$63,000, or 32 percent less than the gain of the dumb old Index 500 fund.

Another participant in The Times ex-

ercise, Susan Dzubinski, editor of Morningstar Fund Investor, had the misfortune of taking over for her boss, John Rekenhater. The Morningstar pair increased their portfolio by just \$48,000, a gain of 96 percent, or roughly half that of the index fund. Ms. Dzubinski chose nine funds for the most recent quarter, and eight of them posted losses, for a net decline of 4.1 percent, even though the S&P gained 3.3 percent.

Eric Kobren, editor of Fidelity Insight, restricted himself to Fidelity funds, in which he is supposed to excel. But his holdings rose by only \$59,000, trailing the index fund by 37 percent.

The other two fund pickers — the investment advisors Jack Brill of San Diego and Harold Evenaky of Coral Gables, Florida — boosted their portfolios by just \$53,000 and \$38,000, respectively, finishing 43 percent and 59 percent behind the index fund.

What makes the results particularly disturbing is that Mr. Jacobs and Mr. Kobren publish highly regarded newsletters, and Morningstar is a superb research service. In his most recent letter to shareholders, Robert Torrey, manager of the Torrey Fund, says that "these experts are as knowledgeable about mutual funds as anyone in the country."

Yet their results "are shocking."

Mr. Torrey argues that investors who follow the ever-changing choices of experts like these are running a big risk — similar to the risks of investors in Long-Term Capital. He describes that risk as "overdiversification, trading, with its attendant tax bills, and the grind of fees and other expenses that attach to so many of today's investment products and programs."

He adds: "We think investors will substantially improve their prospects if they tune out the background noise, try not to watch the market too much and simply buy a few funds managed by experienced people with good reputations. The funds selected should follow a sound philosophy, have a solid long-term record, low turnover, reasonable expenses and not too much diversification."

In other words, keep it simple — which is the lesson that Mr. Meriwether's crew also ignored.

Washington Post Service

BRIEFCASE

New Tricks Make Old Dog a Winner

Turmoil has rocked stocks this year, but the investment adviser Michael B. O'Higgins is sitting on big gains.

Mr. O'Higgins runs O'Higgins Asset Management Inc. in Miami, and he claims to have originated the so-called Dogs of the Dow stock-picking theory. He has seen two funds based on a new version of the Dogs theory grow by double digits through Sept. 21. The reason? He has chosen to invest in bonds. So far, his U.S. fund is up 18.9 percent and his offshore fund is up 29.6 percent.

Alternating between stocks and bonds — depending on conditions — is central to Mr. O'Higgins's theory, which is detailed in his new book, "Beating the Dow With Bonds," due out Dec. 9. (A follow-up to his 1991 book, "Beating the Dow.") While the exact formula for choosing which vehicle in which to invest annually will not be revealed until publication, Mr. O'Higgins says it requires a 15-step process that takes only a few minutes.

By following his strategy, investors decide whether to be in the 20 best-yielding stocks in the Standard & Poor's Index, in short-term Treasury bills or in long-term U.S. Treasury zero-coupon bonds.

Using the theory, Mr. O'Higgins said, investors could have beaten the Dogs of the Dow strategy the past 30 years, attaining a 24.5 percent average yearly return, versus 18.1 percent for Dogs stocks. For the last 29 years, the theory would have investors in stocks for only eight years.

Essentially, Mr. O'Higgins said, the theory calls for doing "a valuation of stocks to long-term interest rates for what is available with lesser risk, with the understanding

that stocks should always be cheaper than bonds." Yet stocks should return more to compensate for risk, he said.

"Then you have to look at the bond outlook," Mr. O'Higgins said, acknowledging that the outlook was becoming a bit dim. (IHT)

FOR MORE INFORMATION on Mr. O'Higgins's new theory, see the Money Report article on the Internet at www.ihf.com/17/MONEY

Polish Phone Sale

Poland is planning the first phase of the privatization of its telephone company by

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early November, but individual investors from other countries will not be able to participate in the initial sale.

The government plans to sell 20 percent to 25 percent of Telekomunikacja Polska SA to institutional and private Polish investors. An additional 15 percent of the company's shares will be given to employees,

who will not be allowed to sell them for at least two years.

The state economic committee said it also hopes to find a "strategic investor" with "experience in finance, restructuring and the sale of telecommunications services."

The company's estimated value is \$12 billion to \$20 billion. (AFX)

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WORLD ROUNDUP

A Change in Spain

Cycling Spain's Jose Maria Jimenez grabbed the overall lead in the Tour of Spain from a teammate, Abraham Olano, after a tense battle on the final mountain climb on Friday, while Fernando Escartin ousted the Frenchman Laurent Jalabert from the runner-up spot.

The Russian Sergei Zinchenko took victory in the 206-kilometer 20th stage, Jimenez, who pushed out ahead of Olano on the fourth of six grueling mountain passes, went into the stage in fourth place.

With Sunday's stage a purely ceremonial round, all final challenges for leadership are expected to be played out Saturday in the 21st stage, a 39-kilometer (24-mile) individual time trial in and around Fuenlabrada, near Madrid.

Spain's Daniel Clavero, seventh in the tour, was thrown out of the race before Friday's stage after failing a blood test, as was a teammate, Jose Carlos Dominguez. (AP)

FIFA Issues a Threat

Soccer FIFA, soccer's world governing body, said Friday that it was prepared to take drastic measures to ensure a breakthrough European Super League never gets off the ground. FIFA's president, Sepp Blatter, said soccer authorities could suspend national associations whose teams take part in any Super League. (AP)

Flying Start for Sweden

Bjorkman's Victory Opens Davis Cup Semifinal

By Christopher Clarey
International Herald Tribune

STOCKHOLM — With its narrow, well-worn wooden bleachers, the Kungliga Tennishallen is no modern sports palace. It is a cramped, atmospheric place with a mere 4,000 seats and a past. Built during the Second World War while Sweden was busy staying neutral, it was the first indoor arena built expressly for the sport that King Gustav V enjoyed above all others. And it was in this same "Royal Tennis Hall" in 1975 that Bjorn Borg clinched Sweden's first Davis Cup title.

It was the start of something remarkable, and Borg was a member of the sellout crowd on Friday night as the Swedes tried to put another brick on the Davis Cup edifice for which he laid the foundation. Over the years, Borg has seldom expressed interest in watching others play the game he mastered, but he must have enjoyed the first match of this semifinal against Spain.

When it ended, Jonas Bjorkman had given Sweden a 1-0 lead with a 6-3, 7-5, 6-7 (5-7), 6-3 victory over Alex Corretja. "My finest singles match in Davis Cup," said Bjorkman, who has played several others worth savoring in the last two seasons.

Using rankings as a guideline, it was a mild upset: Bjorkman is ranked 13th in the world; Corretja is seventh. But if one considers indoor expertise and home-court advantage, it was as predictable as a long winter in Stockholm.

Bjorkman, with his compact strokes, remarkably quick feet and fast-twitch

volleying is a natural fast-court player. Corretja with his lengthy backswings, awkwardness at the net and tendency to work well behind the baseline, is not.

Corretja, a finalist at the French Open on clay in June, admitted as much beforehand, dismissing his chances of beating Bjorkman here despite having beaten him twice on hardcourts in the past.

But Corretja, who had never lost a Davis Cup singles match until Friday, played with more enthusiasm than he projected, ripping enough superb passing shots to extend this encounter to four sets and 3 hours 20 minutes.

"Even if everyone thinks we were favorites in this match, we Swedish players know these guys can play even on this surface," Bjorkman said. "It was a few points here and there, but that's what you expect when you play a top 10 player like Alex."

Spain is unquestionably the strongest tennis nation never to have won the Davis Cup. It lost its final in 1965 and 1967 when its current captain, Manuel Santana, was a player instead of a good-natured counselor on changeovers. But since the World Group was launched in 1981, this is only the second time Spain has reached the semifinals — a remarkably poor record in light of their depth and strength for much of the 1990s.

If Spain could play all its matches on clay or hardcourts, its might have done much better, considering the formidable baseline presence of Corretja and his close friend Carlos Moya. But most teams that play host to Spain are going to lay down a carpet, and even if the one



Jonas Bjorkman during his victory over Spain's Alex Corretja.

in Stockholm was red, it was no welcome mat to Corretja. A year ago, Spain was upset in the quarterfinals by Italy on a quick indoor surface, and while Corretja's loss does not a Davis Cup defeat make, the odds were against him.

"What I was missing was a bit more time to adapt," said Corretja, who hails from a city, Barcelona, with only one indoor court. "Five days of practice was pretty short. It's been 10 months since I played on a surface like this one."

Moya, the world No. 5, was to face Thomas Johansson in the second singles match Friday that had the potential to be close. The same cannot be said of Saturday's doubles between Bjorkman and Nicklas Kulti, one of the world's most explosive teams, and the Spanish duo of Julian Alonso and Javier Sanchez.

Flo-Jo Case Leaves Risk Of Drugs Still in Question

By Ian Thomsen
International Herald Tribune

BOSTON — If the coroner in Los Angeles were somehow able to determine that Florence Griffith-Joyner's supple body expired under the stress of illegal, performance-enhancing drugs, she would not be defamed. On the contrary.

If it could be proved that she used those drugs to win three Olympic gold medals and set two world records in 1988, her name would become a rallying cry for those who believe that the purest of all mankind's sports has itself been poisoned by the use of those drugs.

For decades now we have been hearing from the medical experts that steroids and other performance-enhancers are destructive. But the warn-

ing have lacked the hardest evidence. The doctors have claimed that these drugs can cause death — but who of any great fame or impact has died as a result?

An annual poll of athletes suggests that the majority would be willing to take a drug that would end their lives prematurely, so long as it helped them to become a champion.

The willingness to risk everything seems to be borne out by many of the professional cyclists who reportedly use the blood-thickening drug EPO even though the deaths of several colleagues have been linked to that very drug.

When track and field stars take steroids or human growth hormone — the drugs rumored to have fueled Griffith-Joyner 10 years ago — do they really believe they are risking their lives?

If it turned out that Griffith-Joyner was in fact poisoned by drugs that she took a decade ago, then she, a tragic figure at the age of 38, would become the embodiment of the most important, and currently the most futile, cause in her sport.

Her death could do for the anti-drug movement what Magic Johnson's illness did to promote the awareness and understanding of AIDS.

The rumors linking Griffith-Joyner to drugs are not at all unfounded. In the year leading up to the 1988 Olympics, her body underwent a conversion as if in the hands of a sculptor.

In 1987, she looked like a normal woman athlete; by the following year, almost miraculously, her body was lean and rippling. In her tight designer leggings and long brightly painted fingernails, she was like an acrobatic racing car.

Ben Johnson was stripped of his gold medal and 100-meter world record after testing positive in the 1988 Olympics at Seoul.

Flo-Jo went out much more quietly. Her retirement was an unfathomable decision.

Other Olympic stars, even those on the verge of quitting, spend another year on the circuit to cash in their gold medal for the lucrative appearance fees and endorsements that come as a reward for their years of hard work.

But Griffith-Joyner, at 28, her athletic peak, vanished from professional competition.

Prince Alexandre de Merode, chairman of the International Olympic Committee's medical commission, addressed these rumors when he said that Griffith-Joyner had been singled out for rigorous drug testing because of steroid allegations. He said she passed every test.

"So there should not be the slightest suspicion," he said Wednesday. "Let her rest in peace. The issue is closed."

In his dreams it is closed.

Jean-Pierre de Mondenard, a French sports doctor and drug expert, described Griffith-Joyner's breathtaking muscular development before the 1988 Olympics as "humanly impossible."

He reminded L'Equipe, the French sports daily, that scores of East German athletes used drugs in the 1980s while avoiding detection in the Olympic laboratories.

It should be remembered that Ben Johnson was caught because he was using steroids shortly before the Olympics.

He was suffering from a leg injury and needed the drugs to regain his speed. In his mind there was no other choice if he wanted a gold medal — he had to take the risk that traces of the drugs would still be in his urine by the time of the Olympic tests.

The autopsy of Griffith-Joyner may find a congenital defect or some other cause of death, like an aneurysm, which cannot be traced back to drug use. Even if drugs did lead to her end, it is unlikely that the coroner will be able to find evidence proving the link.

Griffith-Joyner will probably remain as controversial in death as she was in the most brilliant moments of her life. If so, then her death will not have been in vain. For the athletes who need illegal drugs to win their gold medals, the only proven danger has been the slight risk of being caught.

Now, when they think of Flo-Jo, they might realize that the stakes are much more grave. It may be that Ben Johnson, for all his worldwide humiliation, got off lightly.

Ian Thomsen is a senior writer at Sports Illustrated magazine.

Look for Stewart to Turn Things Around for the Steelers

By Thomas George
New York Times Service

Pittsburgh (3-0) at **Steelers** (2-1) Seattle has surprised many fans. For many others, the Steelers' showing in Miami last Sunday was a big surprise. Pittsburgh wasn't just shut out but was also shut down. Big turnovers and a pressing game by Kordell Stewart, the Steelers' quarterback, was where it started. But Stewart turns things around

field. The Oilers need this game to build on their high hopes. **Oilers**, 24-22.

Cardinals (1-2) at **Rams** (1-2) When the Rams' quarterback, Tony Banks, covered the football and went running toward the end zone in the closing seconds and scored and beat Buffalo on last Sunday, it was a fun sight. He has courage and he is intent on doing things his way in becoming a big-time NFL quarterback. This is another step, lifting his team to 500. **Rams**, 24-13.

Broncos (3-0) at **Redskins** (0-3) Washington can still move the football, just not far enough or long enough and without turnovers arising. But the defense is under siege. This team is in big trouble. It goes 0-4. **Broncos**, 36-23.

Packers (3-0) at **Panthers** (0-2) Green Bay gives up an average of 76.3 yards fewer than Carolina on defense. Too much Brett Favre throwing to Antonio Freeman for Carolina to handle. Too much Reggie White and LeRoy Butler on defense. **Packers**, 27-20.

Chiefs (2-1) at **Eagles** (0-3) The turnover game says plenty about these teams. The Chiefs win turnover battles — they protect the ball and steal it. The Eagles lose turnover battles — they toss it away and do not steal it enough.

Enough said. **Chiefs**, 20-9.

Saints (2-0) at **Colts** (0-3) The Saints keep it simple. They run it and stop the run. They play hard and smart. At least, through two games. Jim Mora, the Colts' coach, sees his old team, a team he coached for 11 seasons. Sean Dawkins, now with the Saints, played five years with the Colts, including last year. Dawkins gets to enjoy the reunion more than Mora. **Saints**, 19-17.

Raiders (1-2) at **Cowboys** (2-1) The Dallas coach, Chan Gailey, is making up nicely for the loss of Troy Aikman at quarterback, finding different ways to get his backs the ball in different situations. And it is working. Dallas sees the future when it tries to defend the Raiders' back Napoleon Kaufman. But Dallas wins on special teams. **Cowboys**, 29-21.

Falcons (2-0) at **Bears** (0-3) The Falcons cannot win the NFC West without beating the 49ers. The 49ers have won 12 of the last 16 in this series. Steve Young has passed for more yards (4,055) against the Falcons than against any other team. Atlanta's Chris Chandler has thrown at least one touchdown pass in 14 consecutive games. A good show. **49ers**, 27-10.

Giants (1-2) at **Chargers** (2-1) The Giants' punter, Brad Maynard, has been a

star so far this season with a league-most punts landing inside the 20. That's nice, but if it has been the highlight through three games, you are in trouble. No way the rookie quarterback Ryan Leaf is as horrible as he was last week against Kansas City. **Chargers**, 23-16.

Vikings (3-0) at **Bears** (0-3) The Bears can take the ball away on defense. So, why haven't they won yet? Not enough big plays. Not enough consistency. Some tough luck. The Vikings' coach, Dennis Green, is 9-4 against the Bears. Make it one more time. **Vikings**, 20-13.

Bengals (1-2) at **Browns** (1-2) The team that makes fewer turnovers prevails. That would be the Ravens. They start Eric Zeier instead of Jim Harbaugh, and his passing rating (93.6) is higher than the Bengals' quarterback Neil O'Donnell's (91.1). Zeier and the Raven run defense wins it. **Ravens**, 14-6.

Buccaners (1-2) at **Lions** (0-3) Notorious slow starters, this is where the Lions begin to rise. The rookie quarterback Charlie Batch settles in, and Barry Sanders runs out of the Buc's grasp. **Lions**, 23-13.

Bye week: Buffalo, Miami, New England, New York Jets.

SCOREBOARD

BASEBALL									
JAPANESE LEAGUES									
CENTRAL LEAGUE									
	W	L	T	Pct	GB		W	L	T
Yokohama	72	47	1	.405	—	Seibu	62	55	3
Chunichi	68	51	1	.353	4	Nippon Ham	65	50	3
Yomiuri	69	50	0	.335	8	Daiichi	67	53	1
Yokai	64	53	0	.308	14	Kobelco	65	52	2
Hiroshima	55	71	0	.202	20 1/2	Orix	68	54	3
Hanshin	69	77	0	.289	26 1/2	Loft	52	68	3
PACIFIC LEAGUE									
	W	L	T	Pct	GB		W	L	T
Saito	62	55	3	.330	—	Nagasaki	65	50	3
Nippon Ham	65	50	3	.320	1	Daiichi	67	53	1
Daiichi	67	53	1	.315	1 1/2	Kobelco	65	52	2
Kobelco	65	52	2	.312	2	Orix	68	54	3
Orix	68	54	3	.304	3 1/2	Loft	52	68	3
Loft	52	68	3	.288	11				
FUTURES									
CENTRAL LEAGUE									
Chunichi vs. Hanshin, post, rain									
Nippon Ham vs. Loft 7									
Saito vs. Kobelco 2									
Daiichi vs. Orix 7									
PACIFIC LEAGUE									
Saito vs. Nagasaki, post, rain									
Nippon Ham vs. Loft 7									
Saito vs. Kobelco 2									
Daiichi vs. Orix 7									

BASKETBALL									
EURO LEAGUE									
GROUP A									
	W	L	T	Pct	GB		W	L	T
Spartan, Russia, 73, Varese, Italy, 70									
Vitaco, Spain, 86, Pau Orthez, France, 84									
GROUP B									
	W	L	T	Pct	GB		W	L	T
Cremona, Italy, 84, Chino, Croatia, 69									
Maccabi Tel Aviv, 82, Panathinaikos, Greece, 84									
Marousi, Spain, 63, Eisba, Israel, 74, 68									
GROUP C									
	W	L	T	Pct	GB		W	L	T
Alba Berlin, 63, Cika, Moscow, 70									
Kinder Bol, 61, Olympos, Ploiesti, Greece, 72									
Orlando, Slovenia, 57, Teutoburgum, Bal, 45									
CRICKET									
PAKISTANI VS. AUSTRALIA									
PAKISTANI WON, FIRST DAY									
PAKISTANI WON, FIRST DAY									
PAKISTANI WON, FIRST DAY									
CYCLING									
TOUR OF SPAIN									
Leading stage on Friday in 2004-kilometer (127-mile) stage from Segovia to Puenta de Navacerrada:									
1. Andrei Zinchenko, Russia, 5									
2. Roberto Heras, Spain, 4									
3. Jose Maria Jimenez, Spain, 3									
4. Fernando Escartin, Spain, 2									
5. Lance Armstrong, U.S., 1									
6. Marco Serrhini, Italy, 1:07									
7. Abraham Olano, Spain, 1:09									
8. Marco Serrhini, Spain, 1:10									
9. Laurent Jalabert, France, 1:10									

SOCCER									
FRENCH FIRST DIVISION									
Bastia 0, Olympique Marseille 2									
Monaco 1, Lille 1									
Monaco 1, Lille 1									
U.S. MAJOR LEAGUE SOCCER									
Tampa Bay 4, Columbus 3									
OCEANIAN FUTURES CUP									
Friday in Brisbane, Australia									
Australia 3, Fiji 1									
New Zealand 1, Tahiti 0									
TENNIS									
DAVIS CUP									
World Group									
SEMI-FINALS									
Sweden vs. Spain, 6-3, 7-5, 6-7 (5-7), 6-3									
Spain vs. Sweden, 6-3, 7-5, 6-7 (5-7), 6-3									
OCEANIAN FUTURES CUP									
Friday in Brisbane, Australia									
Australia 3, Fiji 1									
New Zealand 1, Tahiti 0									

TRANSITIONS									
AMERICAN LEAGUE									
ATLANTA—Activated Off Duty Baseball from 15-day disabled list.									
LOS ANGELES—Retired Ed Crutch misdiagnosed to general manager.									
NATIONAL LEAGUE									
ATLANTA—Activated Off Duty Baseball from 15-day disabled list.									
LOS ANGELES—Retired Ed Crutch misdiagnosed to general manager.									
FOOTBALL									
ATLANTA—Activated Off Duty Baseball from 15-day disabled list.									
LOS ANGELES—Retired Ed Crutch misdiagnosed to general manager.									

and 6. Jamie Storr to 3.
 and RW Anderson Oodell
 CRICKET, C. Bernie Nicholas,
 E. F. Fildes F. Brad May to 3.
 and 2.
 announced that Beth Burns,
 cricket coach, has been appointed
 to coach the U.S. women's
 Olympic team.
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WEEK AHEAD
SEPT. 26
 CRICKET, Zimbabwe vs. Zim-
 babwe vs. India, 1st 1-day international.
 India vs. Zimbabwe — Toward Split.
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SPORTS

Yankees Surpass '27

Red Sox Clinch, and the Rangers Are Close

The Associated Press
It was a noteworthy night for three of the American League's top teams.
The Boston Red Sox clinched the wild card, the Texas Rangers clinched a tie for the West title and the New York Yankees tied the league record for victories in a season.

Shane Spencer, a rookie, hit a grand slam as New York beat Tampa Bay, 5-2, Thursday night for its 111th victory,

AL ROUNDUP
matching the AL mark set by the 1954 Cleveland Indians and breaking the team record established by the 1927 Yankees.

"To me, the Yankees record is more important than the American League record," said manager Joe Torre, whose team had three games left against Tampa Bay to set the AL record. "We've made our place in history. The '27 club is the standard everyone goes by."

The Yankee owner, George Steinbrenner, said after the game: "From the time I was a kid growing up, all I've ever heard is how great the '27 Yankees were. That's why this means so much. You all know that winning is important to me. It's not the No. 1 thing — it's second. Breathing is."

Baseball Gets Its Fans Back

New York Times Service
NEW YORK — The Sosa-McGwire home run race has rocketed baseball back into the minds and hearts of people who had abandoned it after the strike that shattered an exciting 1994 season.
Results of The New York Times/CBS News Poll showed that fans have followed this season with far greater interest than at any time since the poll was first conducted, in 1985. Furthermore, Major League Baseball will set a total attendance record with about 70.5 million fans.

The interest generated by the home run race was reflected in the poll this week. Twenty-two percent of those responding said they were very interested in watching or following baseball, up from 15 percent a year ago, and 41 percent were somewhat interested, up from 27 percent. Conversely, 38 percent said they were not at all interested, down from 58 percent.

The poll marked the first time since the question was first asked in 1985 that the "interested" number exceeded 60 percent.

For Spencer, it was his fifth homer in his last 17 at-bats for the Yankees. The 26-year-old rookie has 11 hits and 15 RBIs during that stretch, including his first career grand slam last Friday in Baltimore.

Red Sox 5, Orioles 6 While the Yankees clinched a playoff spot on Aug. 29, the Red Sox didn't secure their postseason berth until their victory over Baltimore.

Nomar Garciaparra homered twice and scored four runs. Tom Gordon set a major league record with his 42d consecutive save and Dennis Eckersley tied the record for most career appearances by a pitcher as Boston earned its first playoff berth in three years.

"It's a small step, we understand that," Garciaparra said. "There's still a postgame to play."

Pedro Martinez (19-7) won for the first time in five starts despite giving up three homers, before Gordon pitched a perfect ninth to set the record for saves that he had shared with Rod Beck and Trevor Hoffman.

Eckersley tied Hoyt Wilhelm for most career appearances by a pitcher at 1,070 when he relieved in the eighth. Boston's Mo Vaughn went 3-for-5 to inch ahead of New York's Bernie Williams in the batting race, 3344 to 3340.

Rangers 9, Mariners 3 Ivan Rodriguez hit his career-high 21st homer and Aaron Sele won his 19th game as Texas clinched a tie for the AL West title.

The Rangers, coming off a three-game sweep of Anaheim, lead the Angels by three games with three remaining.

"It doesn't matter how it happens as long as we do it," said the Ranger manager, Johnny Oates. Texas pounded 15 hits, including eight for extra bases, and took advantage of nine walks issued by Mariner pitchers.

Angels 10, Athletics 6 In Oakland, Gary DiSarcina had five hits and two RBIs, and Darin Erstad added three-run scoring groundouts for Anaheim. Todd Greene hit a two-run homer, his first of the season, as the Angels scored five in the first. Tim Lincecum had an RBI double and Troy Glaus added an RBI single in the inning.

Twins 2, Indians 9 In Minneapolis, Brad Radke pitched 7 1/3 shutout innings for his first home victory since June 9, and David Ortiz had a two-run double as Minnesota handed AL Central champion Cleveland its fourth straight loss. Rick Aguilera pitched the ninth for his 38th save.

Royals 6, White Sox 4 Dean Palmer tied George Brett for the second-best RBI total in Kansas City history. Palmer's two-run single capped a four-run fifth inning and gave him 118 RBIs for the season, matching Brett's total when he was the AL-MVP in 1980. Hal McKee holds the team record of 133 in 1982.



Pedro Martinez pitching Boston into a wild-card playoff spot.

Giants, Closing Fast, Hope They Can Go Home Again

The Associated Press
Minutes after the San Francisco Giants completed a four-game sweep of the Pittsburgh Pirates, stadium workers began dismantling the outfield fences to prepare for a 49er football game this weekend.

The Giants hope those fences will have to be put back up next week. The 6-2 victory on Thursday pulled San Francisco within one

the road. The Giants faced Colorado beginning Friday night, while the Mets were in Atlanta to face the East champion Braves and the Cubs played at Central champion Houston.

"I couldn't pick two finer cities for them to play in," said Dusty Baker, the Giant manager.

Bonds hit his 37th homer, and Joe Carter, Rich Aurilia and the pitcher Russ Ortiz also connected.

Dodgers 4, Brewers 1 Milwaukee's Steve Woodard took a perfect game bid into the seventh inning before Roger Cedeno homered, and Los Angeles won at Dodger Stadium. Woodard, 1-7 in his previous nine starts, retired the first 18 batters before Cedeno hit his first home run since Aug. 16, 1997.

Phillies 10, Marlins 1 With a hurricane approaching Florida, the game between the Marlins and Philadelphia was postponed.

The Great Home Run Derby Goes Into the Final Furlong

By Selena Roberts
New York Times Service

ST. LOUIS, Missouri — Maybe it's the claustrophobia in Mark McGwire that has turned him into a man who seems to be desperately searching for an air pocket as everything closes in on him: the season, Sammy Sosa, the news media, zealous fans, everything.

As the feel-good home run spectacle headed into its decisive weekend, McGwire has been spending his days milling around the luxury hotel he calls home during the season, rarely venturing out beyond the short ride he takes to Busch Stadium. Once mugged in the Cardinals' clubhouse, he is hardly seen and barely heard, choosing to hang out in the back rooms instead of facing a crush of questions.

"I think he's just a little tired of it all," said the Cardinal catcher, Tom Lampkin, a close friend of McGwire's. "I think he's looking forward to getting away from everything and just relaxing in the off season. The focus on him has been endless."

Just three more games. This is what McGwire had left

after failing to break his 65-homer stalemate with Sosa on Thursday night, going 1 for 3 with a walk and a strikeout in the Cardinals' 6-3 victory over the Montreal Expos.

As much of a relief as this finish must be for McGwire, who has had a draining season decorated by the 62d home run he hit to surpass Roger Maris, the pressure is still squarely on his Atlas-like shoulders.

What would it be like to be showered in glory for breaking Maris' record only to see the Cubs' Sosa end up with his name in the history books as the supreme single-season, home-run hitter?

"He has told me he doesn't care," Lampkin said. "Something may be there deep inside, but all I can go by is what he says. He says it doesn't matter who has the most home runs when it's all over."

Not everyone who has seen McGwire in the on-deck circle lately agrees that he is this indifferent. There have been no signs of a letup as he prepares to face pitchers. He still closes his eyes, visualizes the pitches he will see, and comes out swinging.

"This is a politically correct society we're in," the

Houston ace Randy Johnson said after facing McGwire on Wednesday night. "He may say he doesn't care. But I think he's just being politically correct."

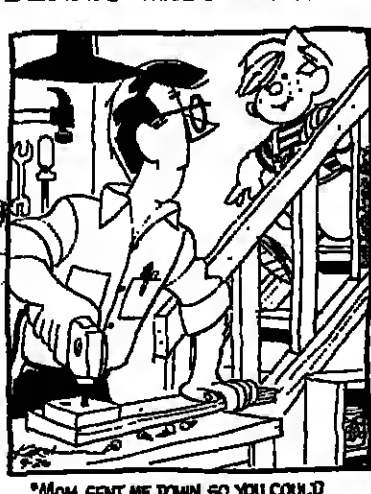
After all, McGwire has not exactly stepped back and watched Sosa take over the race. Each time Sosa has tied him, McGwire has supplied a swift reply, usually within a day or two. On Thursday night, McGwire, whose home run total of 65 was tied by Sosa on Wednesday, had an edge. The Cubs had the night off, meaning an idle Sosa, while McGwire faced the young Expos starter Javier Vazquez (5-15).

While the Expos did not intentionally walk him, Vazquez, 22, appeared to shake a hit in McGwire's presence, and walked him on four nervous pitches, drawing boos. In the third, Vazquez came back to strike out McGwire, who later singled and had a tap-back to the mound.

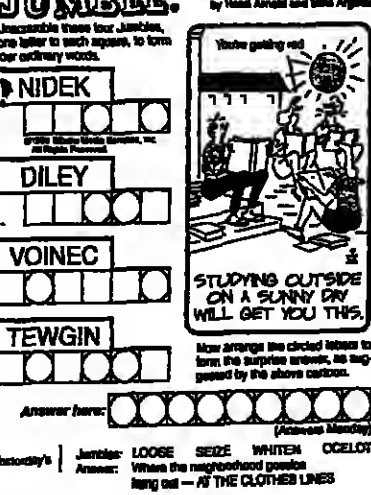
At the end of the night, the home run race stood even. And on Sunday, everything will come to a close. Perhaps when it does, McGwire will have some room to breathe again.

MAJOR LEAGUE STANDINGS				WILD CARD RACE			
AMERICAN LEAGUE				NATIONAL LEAGUE			
EAST DIVISION				CENTRAL DIVISION			
Team	W	L	Pct.	Team	W	L	Pct.
N.Y. Yankees	111	48	.696	St. Louis	90	69	.565
Boston	90	69	.565	Chicago	88	72	.553
Toronto	88	72	.553	San Francisco	87	73	.547
Baltimore	78	81	.491	Chicago	80	79	.506
Tampa Bay	66	93	.418	San Francisco	75	84	.472
CENTRAL DIVISION				WEST DIVISION			
Team	W	L	Pct.	Team	W	L	Pct.
St. Louis	90	69	.565	Los Angeles	87	73	.547
Chicago	88	72	.553	San Diego	87	73	.547
San Francisco	87	73	.547	Philadelphia	84	75	.528
Chicago	80	79	.506	Seattle	74	84	.468
San Francisco	75	84	.472	Oakland	72	87	.453
WEST DIVISION				NATIONAL LEAGUE			
Team	W	L	Pct.	EAST DIVISION			
Los Angeles	87	73	.547	Team	W	L	Pct.
San Diego	87	73	.547	St. Louis	90	69	.565
Philadelphia	84	75	.528	Chicago	88	72	.553
Seattle	74	84	.468	San Francisco	87	73	.547
Oakland	72	87	.453	Chicago	80	79	.506
NATIONAL LEAGUE				WEST DIVISION			
EAST DIVISION				Team	W	L	Pct.
Team	W	L	Pct.	Los Angeles	87	73	.547
St. Louis	90	69	.565	San Diego	87	73	.547
Chicago	88	72	.553	Philadelphia	84	75	.528
San Francisco	87	73	.547	Seattle	74	84	.468
Chicago	80	79	.506	Oakland	72	87	.453
San Francisco	75	84	.472	WEST DIVISION			
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Philadelphia	84	75	.528	Chicago	88	72	.553
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Oakland	72	87	.453	Chicago	80	79	.506
WEST DIVISION				WEST DIVISION			
Team	W	L	Pct.	Team	W	L	Pct.
Los Angeles	87	73	.547	Los Angeles	87	73	.547
San Diego	87	73	.547	San Diego	87	73	.547
Philadelphia	84	75	.528	Philadelphia	84	75	.528
Seattle	74	84	.468	Seattle	74	84	.468
Oakland	72	87	.453	Oakland	72	87	.453

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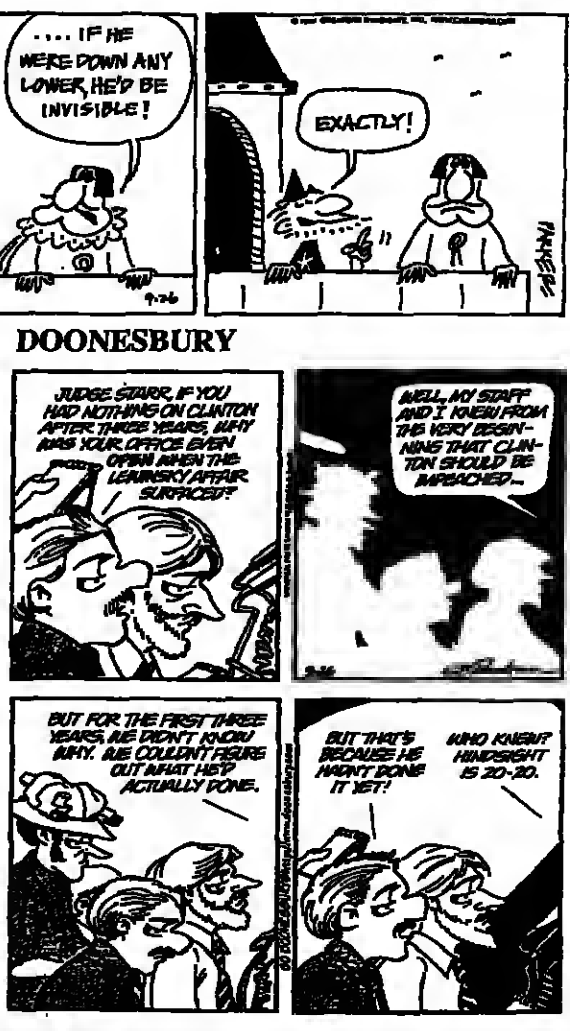
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